

Main Street Capital CORP  
Form 497  
March 09, 2015

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[AUDITED FINANCIAL STATEMENTS Index to Financial Statements](#)

[TABLE OF CONTENTS](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[Table of Contents](#)

**Filed Pursuant to Rule 497  
Registration Statement No. 333-183555**

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MARCH 9, 2015**

**PRELIMINARY PROSPECTUS SUPPLEMENT  
(to Prospectus dated May 7, 2014)**

## **Shares**

### **Common Stock**

---

We are offering for sale \_\_\_\_\_ shares of our common stock. The underwriters have agreed to purchase our shares of common stock from us at a price of \$ \_\_\_\_\_ per share which will result in approximately \$ \_\_\_\_\_ million of net proceeds, after deducting estimated offering expenses, to us, or \$ \_\_\_\_\_ million assuming full exercise of the underwriters' option to purchase additional shares described below. We expect that our expenses for this offering will be approximately \$200,000. The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. See "Underwriting."

The underwriters may also exercise their option to purchase up to an additional \_\_\_\_\_ shares of common stock from us, at the price per share set forth above, for 30 days after the date of this prospectus supplement.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million.

**The LMM and Middle Market securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as "junk," have predominantly speculative**

**characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company.

We are an internally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940.

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On March , 2015, the last reported sale price of our common stock on the New York Stock Exchange was \$ per share, and the net asset value per share of our common stock on December 31, 2014 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was \$20.85.

**Investing in our common stock involves a high degree of risk, and should be considered highly speculative. See "Supplementary Risk Factors" beginning on page S-13 of this prospectus supplement and "Risk Factors" beginning on page 16 of the accompanying prospectus to read about factors you should consider, including the risk of leverage and dilution, before investing in our common stock.**

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. This information is available free of charge by contacting us at 1300 Post Oak Boulevard, 8th Floor, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at [www.mainstreetcapital.com](http://www.mainstreetcapital.com). Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

The underwriters expect to deliver the shares on or about March , 2015.

*Joint Book-Running Managers*

**RAYMOND JAMES**

**BAIRD**

**RBC CAPITAL MARKETS**

*Co-Manager*

**SANDERS MORRIS HARRIS**

The date of this prospectus supplement is March , 2015

---

Table of Contents

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Prospectus Supplement</b>	
<u>Prospectus Summary</u>	<u>S-1</u>
<u>Fees and Expenses</u>	<u>S-11</u>
<u>Supplementary Risk Factors</u>	<u>S-13</u>
<u>Use of Proceeds</u>	<u>S-16</u>
<u>Capitalization</u>	<u>S-17</u>
<u>Price Range of Common Stock and Distributions</u>	<u>S-18</u>
<u>Selected Financial Data</u>	<u>S-22</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>S-24</u>
<u>Senior Securities</u>	<u>S-54</u>
<u>Business</u>	<u>S-55</u>
<u>Dividend Reinvestment Plan</u>	<u>S-73</u>
<u>Certain U.S. Federal Income Tax Considerations</u>	<u>S-74</u>
<u>Underwriting (Conflicts of Interest)</u>	<u>S-82</u>
<u>Legal Matters</u>	<u>S-86</u>
<u>Independent Registered Public Accounting Firm</u>	<u>S-86</u>
<u>Available Information</u>	<u>S-86</u>
<u>Audited Financial Statements</u>	<u>S-87</u>
<b>Prospectus</b>	
<u>Prospectus Summary</u>	<u>1</u>
<u>Fees and Expenses</u>	<u>14</u>
<u>Risk Factors</u>	<u>16</u>
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>37</u>
<u>Use of Proceeds</u>	<u>38</u>
<u>Price Range of Common Stock and Distributions</u>	<u>39</u>
<u>Ratios of Earnings to Fixed Charges</u>	<u>43</u>
<u>Selected Financial Data</u>	<u>44</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>46</u>
<u>Senior Securities</u>	<u>74</u>
<u>Business</u>	<u>75</u>
<u>Portfolio Companies</u>	<u>92</u>
<u>Management</u>	<u>119</u>
<u>Certain Relationships and Related Transactions</u>	<u>142</u>
<u>Control Persons and Principal Stockholders</u>	<u>143</u>
<u>Sales of Common Stock Below Net Asset Value</u>	<u>145</u>
<u>Dividend Reinvestment Plan</u>	<u>150</u>
<u>Description of Common Stock</u>	<u>151</u>
<u>Description of Our Preferred Stock</u>	<u>158</u>
<u>Description of Our Warrants</u>	<u>159</u>
<u>Description of Our Subscription Rights</u>	<u>161</u>
<u>Description of Our Debt Securities</u>	<u>162</u>
<u>Description of Our Units</u>	<u>176</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>176</u>
<u>Regulation</u>	<u>184</u>
<u>Plan of Distribution</u>	<u>189</u>
<u>Custodian, Transfer and Distribution Paying Agent and Registrar</u>	<u>191</u>
<u>Brokerage Allocation and Other Practices</u>	<u>191</u>
<u>Legal Matters</u>	<u>191</u>
<u>Independent Registered Public Accounting Firm</u>	<u>191</u>
<u>Available Information</u>	<u>192</u>
<u>Privacy Notice</u>	<u>192</u>
<u>Index to Financial Statements</u>	<u>F-1</u>



Table of Contents

**ABOUT THE PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which provides more information about the common stock we may offer from time to time. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control.

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.**

**Forward-Looking Statements**

Information contained in this prospectus supplement and the accompanying prospectus may contain forward-looking statements, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The matters described in the sections titled "Supplementary Risk Factors" in this prospectus supplement and "Risk Factors" in the accompanying prospectus and certain other factors noted throughout this prospectus supplement and the accompanying prospectus constitute cautionary statements identifying important factors with respect to any such forward-looking statements, including certain risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We undertake no obligation to revise or update any forward-looking statements but advise you to consult any additional disclosures that we may make directly to you or through reports that we may file in the future with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. We note that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in this prospectus supplement or the accompanying prospectus.

Table of Contents

**PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand the terms of the common stock offered hereby, you should read the entire prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the sections titled "Supplementary Risk Factors," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Financial Statements" in this prospectus supplement and the documents identified in the section titled "Available Information" in this prospectus supplement, as well as the section titled "Risk Factors" in the accompanying prospectus. Except as otherwise noted, all information in this prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters' option to purchase additional shares.*

**Organization**

Main Street Capital Corporation ("MSCC") was formed in March 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, (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Internal 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 Internal Investment Manager acts as MSMF's manager and investment adviser. Because we wholly own the Internal Investment Manager, which employs all of the executive officers and other employees of MSCC, we do not pay any external investment advisory fees, but instead we incur the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

During January 2010, MSCC acquired (the "Exchange Offer") 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") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries ("External Parties") and receive fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission ("SEC") to allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"). The External Investment Manager is accounted for as a portfolio investment of MSCC, since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or their portfolio companies.

MSCC has elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the

Table of Contents

"Code"). As a result, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that it distributes to its stockholders.

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. Each of the Investment Managers is also a direct wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries and the Investment Managers 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, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

The following diagram depicts Main Street's organizational structure:

---

\* Each of the Taxable Subsidiaries is directly or indirectly wholly owned by MSCC.

\*\* Accounted for as a portfolio investment at fair value, as opposed to a consolidated subsidiary.

**Overview**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have





Table of Contents

been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the year ended December 31, 2014 are net of expenses of \$2.0 million charged to the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

We seek to fill the financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions is important to LMM portfolio companies. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years from the original investment date. We believe that our LMM investment strategy has limited correlation to the broader debt and equity markets.

As of December 31, 2014, we had debt and equity investments in 66 LMM portfolio companies with an aggregate fair value of approximately \$733.2 million, with a total cost basis of approximately \$599.4 million, and a weighted average annual effective yield on our LMM debt investments of approximately 13.2%. As of December 31, 2014, approximately 72% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 90% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2014, we had equity ownership in approximately 95% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest

Table of Contents

rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest bearing debt securities in privately held companies that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

As of December 31, 2014, we had Middle Market portfolio investments in 86 companies, collectively totaling approximately \$542.7 million in fair value with a total cost basis of approximately \$561.8 million. The weighted average earnings before interest, taxes, depreciation and amortization ("EBITDA") for the 86 Middle Market portfolio companies was approximately \$77.2 million as of December 31, 2014. As of December 31, 2014, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 85% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2014. As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio companies was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio, but are investments that have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

As of December 31, 2014, we had Private Loan portfolio investments in 31 companies, collectively totaling approximately \$213.0 million in fair value with a total cost basis of approximately \$224.0 million. The weighted average EBITDA for the 31 Private Loan portfolio companies was approximately \$18.1 million as of December 31, 2014. As of December 31, 2014, approximately 96% of our Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 10.1% as of December 31, 2014. As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio companies was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, approximately 95% of our Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority

Table of Contents

liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2014, we had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of our Investment Portfolio (as defined in "Business Investment Portfolio") at fair value as of December 31, 2014. As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised approximately 3.3% of our Investment Portfolio at fair value as of December 31, 2013.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of our Investment Portfolio at fair value. As of December 31, 2013, there was no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio at fair value.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). An investor's return in MSCC will depend, in part, on the Funds' investment returns as they are wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation on our investments will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

Because we are internally managed, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4%, compared to 1.7% for the year ended December 31, 2013 (with the 2013 ratio excluding interest expense and excluding the effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice-Chairman, which resulted in additional share-based compensation expense of \$1.3 million during 2013). Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended December 31, 2013 was 1.8%.

Table of Contents

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source of income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. We and the External Investment Manager agreed to waive all such fees from the effective date of HMS Income's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither we nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager has not waived the base management fees or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014. During the year ended December 31, 2014, the External Investment Manager earned \$2.8 million of base management fees under the sub-advisory agreement with HMS Adviser.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income.

You should be aware that investments in our portfolio companies carry a number of risks including, but not limited to, investing in companies which may have limited operating histories and financial resources and other risks common to investing in below investment grade debt and equity investments in private, smaller companies. Please see "Supplementary Risk Factors Risks Related to Our Investments" in this prospectus supplement and "Risk Factors Risks Related to Our Investments" in the accompanying prospectus for a more complete discussion of the risks involved with investing in our portfolio companies.

Our principal executive offices are located at 1300 Post Oak Boulevard, 8<sup>th</sup> Floor, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at <http://www.mainstreetcapital.com>. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

**Business Strategies**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and realizing capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We have adopted the following business strategies to achieve our investment objective. Please see "Business Business Strategies" in this prospectus supplement for a more complete discussion of our business strategies.

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

*Deliver Customized Financing Solutions in the Lower Middle Market.* We offer to our LMM portfolio companies customized debt and equity financing solutions that are tailored to the facts and circumstances of each situation.

*Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams.

*Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies.

*Invest Across Multiple Companies, Industries, Regions and End Markets.* We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets.

*Capitalize on Strong Transaction Sourcing Network.* Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments.

*Benefit from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt.

### **Investment Criteria**

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments. Please see "Business Investment Criteria" in this prospectus supplement for a more complete discussion of our investment criteria.

*Proven Management Team with Meaningful Equity Stake.* We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests.

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance.

*Defensible Competitive Advantages/Favorable Industry Position.* We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help to protect their market position and profitability.

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or a refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

### **Recent Developments**

On November 13, 2014, our Board of Directors elected Brent D. Smith to Chief Financial Officer and Treasurer. Mr. Smith, age 39, had previously served as our Senior Vice President Finance since August 2014. Previously he served as the Executive Vice-President, Chief Financial Officer and Treasurer of Cal Dive International, Inc. from 2010 through June 2014 and in various finance and accounting roles at Cal Dive from

Edgar Filing: Main Street Capital CORP - Form 497

2005 through 2010. On March 3, 2015, Cal Dive and certain of its subsidiaries, excluding its foreign subsidiaries, filed for voluntary protection under Chapter 11 of the

S-7

---

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Bankruptcy Code. Prior to joining Cal Dive, Mr. Smith was a manager with FTI Consulting (NYSE: FCN). Prior to that, Mr. Smith was employed as a senior auditor at Arthur Andersen LLP.

In January 2015, we led a new portfolio investment totaling \$45.0 million of invested capital in Volusion, LLC ("Volusion"), with Main Street funding \$31.5 million of the investment. The proceeds of the investment were used to provide capital to fund Volusion's near-term growth opportunities. Our investment in Volusion included a combination of first-lien, senior secured term debt with equity warrant participation and a direct equity investment. In addition, we and our co-investor are providing Volusion a commitment for up to \$10.0 million of additional capital to support its future growth opportunities. Headquartered in Austin, Texas, and founded in 1999, Volusion provides an online software-as-a-service solution for its customers' e-Commerce stores and activities.

In January 2015, we participated in a new portfolio investment totaling \$24.0 million of invested capital in Berry Aviation, Inc. ("Berry"), with our portion of the funding being \$6.4 million, and including \$6.0 million of secured subordinated term debt and a \$0.4 million equity investment for a minority equity ownership position in Berry. We partnered with our co-investors to facilitate a minority recapitalization of Berry and to support its growth initiatives. Headquartered in San Marcos, Texas, Berry is a full service aviation business that provides air carrier and concierge services to both private sector and public clients, including the United States Department of Defense ("U.S. DOD") and other governmental agencies.

During February 2015, we declared regular monthly dividends of \$0.175 per share for each of April, May and June 2015. These regular monthly dividends equal a total of \$0.525 per share for the second quarter of 2015. The second quarter 2015 regular monthly dividends represent a 6.1% increase from the dividends declared for the second quarter of 2014. Including the dividends declared for the second quarter of 2015, we will have paid \$14.27 per share in cumulative dividends since our October 2007 initial public offering.

Table of Contents

**The Offering**

Common stock offered by us	shares
Common stock outstanding prior to this offering	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares	shares
Use of proceeds	

The net proceeds from this offering (without exercise of the option to purchase additional shares and after deducting estimated expenses payable by us of approximately \$200,000) will be \$ .

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Credit Facility. However, through re-borrowing of the initial repayments under our Credit Facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds" below.

Dividends and distributions

Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time.

Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders.

When we make monthly distributions, we are required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.



Table of Contents

	<p>In February 2015, we declared regular monthly dividends of \$0.175 per share for each of April, May and June 2014. These regular monthly dividends equate to a total of \$0.525 per share for the second quarter of 2014. Investors who purchase shares of our common stock in this offering will be entitled to receive the April regular monthly dividend payment and subsequent dividends provided that they continue to hold such shares.</p>
Taxation	<p>MSCC has elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our qualification as a RIC for U.S. federal income tax purposes, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.</p> <p>Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% U.S. federal excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Certain U.S. Federal Income Tax Considerations" in this prospectus supplement.</p>
Risk factors	<p>See "Supplementary Risk Factors" beginning on page S-13 of this prospectus supplement and "Risk Factors" beginning on page 16 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.</p>
New York Stock Exchange symbol	<p>"MAIN"</p>

Table of Contents**FEES AND EXPENSES**

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

<b><i>Stockholder Transaction Expenses:</i></b>	
Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>%</b>
<b><i>Annual Expenses (as a percentage of net assets attributable to common stock):</i></b>	
Operating expenses	2.52%(4)
Interest payments on borrowed funds	3.36%(5)
Income tax expense	0.67%(6)
Acquired fund fees and expenses	0.44%(7)
<b>Total annual expenses</b>	<b>6.99%</b>

- (1) Because the underwriters may offer the shares from time to time at varying prices, for purposes of calculating the sales load, we have assumed that the underwriters will sell the shares to the public at a price of \$ \_\_\_\_\_ per share, the last reported sales price of our common stock on March \_\_\_\_\_, 2015.
- (2) The offering expenses of this offering borne by us are estimated to be approximately \$200,000. If the underwriters exercise their option to purchase additional shares in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately \_\_\_\_%.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Operating expenses in this table represent the estimated expenses of MSCC and its consolidated subsidiaries, including the Internal Investment Manager.
- (5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (6) Income tax expense relates to the accrual of (a) deferred tax provision (benefit) on the net unrealized appreciation (depreciation) from portfolio investments held in Taxable Subsidiaries and (b) excise, state and other taxes. Deferred taxes are non cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable or receivable. Due to the variable nature of deferred tax expense, which can be a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2014.
- (7) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.



Table of Contents

*Example*

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$	\$	\$	\$

**The example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.** While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. In addition, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by (i) the market price per share of our common stock at the close of trading on the dividend payment date in the event that we use newly issued shares to satisfy the share requirements of the dividend reinvestment plan or (ii) the average purchase price of all shares of common stock purchased by the administrator of the dividend reinvestment plan in the event that shares are purchased in the open market to satisfy the share requirements of the dividend reinvestment plan, which may be at, above or below net asset value. See "Dividend Reinvestment Plan" in this prospectus supplement for additional information regarding our dividend reinvestment plan.

Table of Contents

**SUPPLEMENTARY RISK FACTORS**

Investing in our securities involves a number of significant risks. In addition to the other information contained in this prospectus supplement and the accompanying prospectus, you should consider carefully the following supplementary risk factors together with the risk factors beginning on page 16 of the accompanying prospectus before making an investment in our securities. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the events described herein or in the accompanying prospectus occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

**Risks Relating to Our Business and Structure**

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

Borrowings, also known as leverage, magnify the potential for loss on investments in our indebtedness and gain or loss on investments in our equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our outstanding indebtedness. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any decrease in our income would cause net investment income to decline more sharply than it would have had we not leveraged our business. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Use of leverage is generally considered a speculative investment technique.

As of December 31, 2014, we, through the Funds, had \$225.0 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 4.2% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted average remaining maturity of 6.6 years as of December 31, 2014, and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us.

In addition, as of December 31, 2014, we had \$218.0 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate (0.16% as of December 31, 2014) plus 2.00%, as long as we maintain an investment grade rating (or 2.25% if we do not maintain an investment grade rating) or (ii) the applicable base rate (Prime Rate of 3.25% as of December 31, 2014) plus 1.00%, as long as we maintain an investment grade rating (or 1.25% if we do not maintain an investment grade rating). We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the

Table of Contents

assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us.

In April 2013, we issued \$92.0 million in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). As of December 31, 2014, the outstanding balance of the 6.125% Notes was \$90.8 million. The 6.125% Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year.

In November 2014, we issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes" and, together with the 6.125% Notes, the "Notes") at an issue price of 99.53%. As of December 31, 2014, the outstanding balance of the 4.50% Notes was \$175.0 million. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions.

*Illustration.* The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

**Assumed Return on Our Portfolio(1)  
(net of expenses)**

	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder(2)	(21.0)%	(12.0)%	(3.0)%	6.0%	15.0%

(1) Assumes \$1.7 billion in total assets, \$708.8 million in debt outstanding, \$940.0 million in net assets, and a weighted average interest rate of 4.0%. Actual interest payments may be different.

(2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our December 31, 2014 total assets of at least 1.7%.

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

Table of Contents

**Risks Related to Our Investments**

*Continuation of the current decline in oil and natural gas prices for a prolonged period of time could have a material adverse effect on us.*

A prolonged continuation of the current decline in oil and natural gas prices would adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses. A decrease in credit quality and the operating performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' abilities to satisfy financial or operating covenants imposed by us or other lenders will be adversely affected, thereby negatively impacting their financial condition and their ability to satisfy their debt service and other obligations to us. Likewise, should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' cash flow and profit generating capacities would also be adversely affected thereby negatively impacting their ability to pay us dividends or distributions on our equity investments.

S-15

---

Table of Contents

**USE OF PROCEEDS**

The net proceeds from the sale of the \_\_\_\_\_ shares of common stock in this offering are \$ \_\_\_\_\_, and \$ \_\_\_\_\_ if the underwriter's option to purchase additional shares is exercised in full, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Credit Facility. However, through re-borrowing of the initial repayments under our Credit Facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest bearing deposits or other short-term instruments. See "Risk Factors Risks Relating to Our Securities We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results" in the accompanying prospectus.

On March 9, 2015, we had approximately \$254 million outstanding under our Credit Facility. Our Credit Facility matures in September 2019, unless extended, and bears interest, at our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.00% or (ii) the applicable base rate plus 1.00% so long as Main Street maintains an investment grade rating, and 0.25% higher in each case otherwise. Amounts repaid under our Credit Facility will remain available for future borrowings.

Affiliates of Raymond James & Associates, Inc. and RBC Capital Markets, LLC, underwriters in this offering, act as lenders and/or agents under our Credit Facility. As described above, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this Credit Facility, and such affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. See "Underwriting Conflicts of Interest" below.



Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization:

on an actual basis as of December 31, 2014; and

on an as-adjusted basis giving effect to the sale of \_\_\_\_\_ shares of our common stock in this offering at the price of \$ \_\_\_\_\_ per share, less estimated offering expenses payable by us and the application of the proceeds thereof.

This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Financial Statements" in this prospectus supplement.

	As of December 31, 2014	
	Actual	As-adjusted for this Offering (Unaudited)
	(in thousands, except shares)	
Cash and cash equivalents	\$ 60,432	\$ 60,432
Marketable securities and idle funds investments (cost: \$10,604)	9,067	9,067
<b>Total cash and cash equivalents, marketable securities and idle funds investments</b>	<b>\$ 69,499</b>	<b>\$ 69,499</b>
SBIC debentures (par: \$225,000; par of \$75,200 is recorded at a fair value of \$72,981)	\$ 222,781	\$ 222,781
Credit facility(1)	218,000	
4.50% Notes	175,000	175,000
6.125% Notes	90,823	90,823
Net asset value:		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 45,079,150 and _____ shares issued and outstanding, actual and as adjusted for this offering, respectively)	451	
Additional paid-in capital	853,606	
Accumulated net investment income, net of cumulative dividends of \$293,789	23,665	23,665
Accumulated net realized gain from investments (accumulated net realized gain from investments of \$40,321 before cumulative dividends of \$60,777)	(20,456)	(20,456)
Net unrealized appreciation, net of income taxes	82,716	82,716
Total net asset value	939,982	
<b>Total capitalization</b>	<b>\$ 1,646,586</b>	<b>\$</b>

(1) As of March 9, 2015, we had approximately \$254 million outstanding under our Credit Facility outstanding. This table has not been adjusted to reflect the changes in our outstanding borrowings under the Credit Facility subsequent to December 31, 2014.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "MAIN." Prior to October 14, 2010, our common stock was traded on the NASDAQ Global Select Market under the same symbol "MAIN." Our common stock began trading on the NASDAQ Global Select Market on October 5, 2007. Prior to that date, there was no established public trading market for our common stock.

The following table sets forth, for each fiscal quarter during 2015, 2014 and 2013, the range of high and low closing prices of our common stock as reported on the NYSE, and the sales price as a percentage of the net asset value per share of our common stock.

	Price Range			Percentage of High Sales Price to NAV(2)	Percentage of Low Sales Price to NAV(2)
	NAV(1)	High	Low		
<b>Year ending December 31, 2015</b>					
First Quarter (through March 6, 2015)	* \$	\$ 31.47	\$ 27.87		
<b>Year ending December 31, 2014</b>					
Fourth Quarter	\$ 20.85	\$ 32.68	\$ 27.48	157%	132%
Third Quarter	21.08	32.87	30.38	156%	144%
Second Quarter	21.03	33.54	29.55	159%	141%
First Quarter	20.14	35.69	32.23	177%	160%
<b>Year ending December 31, 2013</b>					
Fourth Quarter	\$ 19.89	\$ 33.13	\$ 29.70	167%	149%
Third Quarter	20.01	31.08	27.41	155%	137%
Second Quarter	18.72	32.13	26.43	172%	141%
First Quarter	18.55	34.38	30.44	185%	164%

- (1) Net asset value per share, or NAV, is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the first quarter of 2015.
- (2) Calculated as the respective high or low share price divided by NAV for such quarter.

On March 6, 2015 the last sale price of our common stock on the NYSE was \$31.42 per share, and there were approximately 200 holders of record of the common stock which did not include stockholders for whom shares are held in "nominee" or "street name." The net asset value per share of our common stock on December 31, 2014 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was \$20.85, and the March 6, 2015 closing price of our common stock was 151% of this net asset value per share.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value per share or at premiums that are unsustainable over the long-term are separate and distinct from the risk that our net asset value per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below net asset value per share. Since our IPO in October 2007, our shares of common stock have traded at prices both less than and exceeding our net asset value per share.

We currently pay regular monthly dividends and semi-annual supplemental dividends to our stockholders. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis. Our semi-annual supplemental dividends, if any, will be determined by our Board of Directors based upon our undistributed taxable income. The following table summarizes our dividends declared to date:

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Date Declared	Record Date	Payment Date	Amount(1)
<b>Fiscal year 2015</b>			
February 24, 2015	May 20, 2015	June 15, 2015	\$ 0.175
February 24, 2015	April 21, 2015	May 15, 2015	\$ 0.175
February 24, 2015	March 31, 2015	April 15, 2015	\$ 0.175
November 6, 2014	February 20, 2015	March 16, 2015	\$ 0.170
November 6, 2014	January 21, 2015	February 13, 2015	\$ 0.170
November 6, 2014	December 31, 2014	January 15, 2015	\$ 0.170(2)
Total			\$ 1.035

<b>Fiscal year 2014</b>			
October 23, 2014	December 18, 2014	December 24, 2014	\$ 0.275(2)
August 4, 2014	November 20, 2014	December 15, 2014	\$ 0.170(2)
August 4, 2014	October 20, 2014	November 14, 2014	\$ 0.170(2)
August 4, 2014	September 19, 2014	October 15, 2014	\$ 0.170(2)
May 6, 2014	August 20, 2014	September 15, 2014	\$ 0.165(2)
May 6, 2014	July 21, 2014	August 15, 2014	\$ 0.165(2)
May 6, 2014	June 30, 2014	July 15, 2014	\$ 0.165(2)
April 21, 2014	June 20, 2014	June 25, 2014	\$ 0.275(2)
February 26, 2014	May 21, 2014	June 16, 2014	\$ 0.165(2)
February 26, 2014	April 20, 2014	May 15, 2014	\$ 0.165(2)
February 26, 2014	March 21, 2014	April 15, 2014	\$ 0.165(2)
November 6, 2013	February 20, 2014	March 14, 2014	\$ 0.165(2)
November 6, 2013	January 21, 2014	February 14, 2014	\$ 0.165(2)
November 6, 2013	December 30, 2013	January 15, 2014	\$ 0.165(3)
Total			\$ 2.545

<b>Fiscal year 2013</b>			
November 20, 2013	December 19, 2013	December 24, 2013	\$ 0.250(3)
August 6, 2013	November 21, 2013	December 16, 2013	\$ 0.160(3)
August 6, 2013	October 21, 2013	November 15, 2013	\$ 0.160(3)
August 6, 2013	September 20, 2013	October 15, 2013	\$ 0.160(3)
May 13, 2013	July 22, 2013	July 26, 2013	\$ 0.200(3)
May 8, 2013	May 21, 2013	September 16, 2013	\$ 0.155(3)
May 8, 2013	July 17, 2013	August 15, 2013	\$ 0.155(3)
May 8, 2013	June 18, 2013	July 15, 2013	\$ 0.155(3)
March 5, 2013	May 21, 2013	June 14, 2013	\$ 0.155(3)
March 5, 2013	April 19, 2013	May 15, 2013	\$ 0.155(3)
March 5, 2013	March 21, 2013	April 15, 2013	\$ 0.155(3)
November 6, 2012	February 21, 2013	March 15, 2013	\$ 0.150(3)
November 6, 2012	January 18, 2013	February 15, 2013	\$ 0.150(3)
November 6, 2012	January 4, 2013	January 23, 2013	\$ 0.350(3)
November 6, 2012	December 20, 2012	January 15, 2013	\$ 0.150(4)
Total			\$ 2.660

<b>Fiscal year 2012</b>			
July 31, 2012	November 21, 2012	December 14, 2012	\$ 0.150(4)
July 31, 2012	October 19, 2012	November 15, 2012	\$ 0.150(4)

Edgar Filing: Main Street Capital CORP - Form 497

July 31, 2012	September 20, 2012	October 15, 2012	\$	0.150(4)
May 1, 2012	August 21, 2012	September 14, 2012	\$	0.145(4)
May 1, 2012	July 20, 2012	August 15, 2012	\$	0.145(4)
May 1, 2012	June 21, 2012	July 16, 2012	\$	0.145(4)
March 6, 2012	May 21, 2012	June 15, 2012	\$	0.140(4)
March 6, 2012	April 20, 2012	May 15, 2012	\$	0.140(4)
March 6, 2012	March 21, 2012	April 16, 2012	\$	0.140(4)
December 8, 2011	February 22, 2012	March 15, 2012	\$	0.135(4)
December 8, 2011	January 18, 2012	February 15, 2012	\$	0.135(4)
December 8, 2011	December 21, 2011	January 16, 2012	\$	0.135(5)
Total			\$	1.710

S-19

---

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Date Declared	Record Date	Payment Date	Amount(1)
<b>Fiscal year 2011</b>			
Total			\$ 1.560(5)
<b>Fiscal year 2010</b>			
Total			\$ 1.500(6)
<b>Fiscal year 2009</b>			
Total			\$ 1.500(7)(8)
<b>Fiscal year 2008</b>			
Total			\$ 1.425(8)
<b>Fiscal year 2007</b>			
Total			\$ 0.330(9)
Cumulative dividends declared or paid			\$ 14.265

- 
- (1) The determination of the tax attributes of Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Ordinary dividend distributions from a RIC do not qualify for the tax rate applicable to "qualified dividend income" from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.
- (2) These dividends attributable to fiscal year 2014 were comprised of ordinary income of \$2.083 per share, long-term capital gain of \$0.419 per share, and qualified dividend income of \$0.048 per share, and included dividends with a record date during fiscal year 2014, including the dividend declared and accrued as of December 31, 2014 and paid on January 15, 2015, pursuant to the Code.
- (3) These dividends attributable to fiscal year 2013 were comprised of ordinary income of \$1.872 per share, long-term capital gain of \$0.346 per share, and qualified dividend income of \$0.457 per share, and included dividends with a record date during fiscal year 2013, including the dividend declared and accrued as of December 31, 2013 and paid on January 15, 2014, pursuant to the Code.
- (4) These dividends attributable to fiscal year 2012 were comprised of ordinary income of \$0.923 per share, long-term capital gain of \$0.748 per share, and qualified dividend income of \$0.054 per share, and included dividends with a record date during fiscal year 2012, including the dividend declared and accrued as of December 31, 2012 and paid on January 15, 2013, pursuant to the Code.
- (5)

## Edgar Filing: Main Street Capital CORP - Form 497

These dividends attributable to fiscal year 2011 were comprised of ordinary income of \$1.253 per share, long-term capital gain of \$0.373 per share, and qualified dividend income of \$0.069 per share, and included dividends with a record date during fiscal year 2011, including the dividend declared and accrued as of December 31, 2011 and paid on January 16, 2012, pursuant to the Code.

- (6) These dividends attributable to fiscal year 2010 were comprised of ordinary income of \$1.220 per share, long-term capital gain of \$0.268 per share, and qualified dividend income of \$0.012 per share.
- (7) These dividends attributable to fiscal year 2009 were comprised of ordinary income of \$1.218 per share and long-term capital gain of \$0.157 per share and excluded the \$0.125 paid on January 15, 2009 which had been declared and accrued as of December 31, 2008.
- (8) These dividends attributable to fiscal year 2008 were comprised of ordinary income of \$0.953 per share and long-term capital gain of \$0.597 per share, and included dividends with a record date during fiscal year 2008, including the \$0.125 per share dividend declared and accrued as of December 31, 2008 and paid on January 15, 2009, pursuant to the Code.
- (9) This quarterly dividend attributable to fiscal year 2007 was comprised of ordinary income of \$0.105 per share and long-term capital gain of \$0.225 per share.

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed taxable income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income

Table of Contents

recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income, less amounts carried over into the following year, and the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay a 4% U.S. federal excise tax on the amount by which 98% of our annual ordinary taxable income and 98.2% of capital gains exceeds our distributions for the year. We may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they had received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, our stockholders also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable shares of the tax we paid on the capital gains deemed distributed to them. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The IRS has issued private letter rulings providing that a dividend payable in stock or in cash at the election of the stockholders will be treated as a taxable dividend eligible for the dividends paid deduction provided that at least 20% of the total dividend is payable in cash and certain other requirements are satisfied. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such dividend is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

We have adopted a dividend reinvestment plan ("DRIP") that provides for the reinvestment of dividends on behalf of our stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. The share requirements of the DRIP may be satisfied through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly-issued shares will be valued based upon the final closing price of MSCC's common stock on a valuation date determined for each dividend by our Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs.

Table of Contents**SELECTED FINANCIAL DATA**

The selected financial and other data below reflects the consolidated financial condition and the consolidated statement of operations of Main Street and its subsidiaries as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto in the accompanying prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and "Audited Financial Statements" in this prospectus supplement.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
<b>Statement of operations data:</b>					
Investment income:					
Total interest, fee and dividend income	\$ 139,939	\$ 115,158	\$ 88,858	\$ 65,045	\$ 35,645
Interest from idle funds and other	824	1,339	1,662	1,195	863
<b>Total investment income</b>	<b>140,763</b>	<b>116,497</b>	<b>90,520</b>	<b>66,240</b>	<b>36,508</b>
Expenses:					
Interest	(23,589)	(20,238)	(15,631)	(13,518)	(9,058)
Compensation	(12,337)	(8,560)			
General and administrative	(7,134)	(4,877)	(2,330)	(2,483)	(1,437)
Expenses charged to the External Investment Manager	2,048				
Expenses reimbursed to Internal Investment Manager		(3,189)	(10,669)	(8,915)	(5,263)
Share-based compensation	(4,215)	(4,210)	(2,565)	(2,047)	(1,489)
<b>Total expenses</b>	<b>(45,227)</b>	<b>(41,074)</b>	<b>(31,195)</b>	<b>(26,963)</b>	<b>(17,247)</b>
Net investment income	95,536	75,423	59,325	39,277	19,261
Total net realized gain (loss) from investments	23,206	7,277	16,479	2,639	(2,880)
Total net realized loss from SBIC debentures		(4,775)			
<b>Net realized income</b>	<b>118,742</b>	<b>77,925</b>	<b>75,804</b>	<b>41,916</b>	<b>16,381</b>
Total net change in unrealized appreciation (depreciation) from investments	(776)	14,503	44,464	34,989	13,046
Total net change in unrealized appreciation (depreciation) from SBIC debentures and investment in the Internal Investment Manager	(10,931)	4,392	(5,004)	(6,511)	6,593
Income tax benefit (provision)	(6,287)	35	(10,820)	(6,288)	(941)
Bargain purchase gain					4,891
<b>Net increase in net assets resulting from operations</b>	<b>100,748</b>	<b>96,855</b>	<b>104,444</b>	<b>64,106</b>	<b>39,970</b>
Noncontrolling interest			(54)	(1,139)	(1,226)
<b>Net increase in net assets resulting from operations attributable to common stock</b>	<b>\$ 100,748</b>	<b>\$ 96,855</b>	<b>\$ 104,390</b>	<b>\$ 62,967</b>	<b>\$ 38,744</b>
<b>Net investment income per share basic and diluted</b>	<b>\$ 2.20</b>	<b>\$ 2.06</b>	<b>\$ 2.01</b>	<b>\$ 1.69</b>	<b>\$ 1.16</b>
<b>Net realized income per share basic and diluted</b>	<b>\$ 2.73</b>	<b>\$ 2.13</b>	<b>\$ 2.56</b>	<b>\$ 1.80</b>	<b>\$ 0.99</b>
<b>Net increase in net assets resulting from operations attributable to common stock per share basic and diluted</b>	<b>\$ 2.31</b>	<b>\$ 2.65</b>	<b>\$ 3.53</b>	<b>\$ 2.76</b>	<b>\$ 2.38</b>
<b>Weighted average shares outstanding basic and diluted</b>	<b>43,522,397</b>	<b>36,617,850</b>	<b>29,540,114</b>	<b>22,850,299</b>	<b>16,292,846</b>





Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

	As of December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
<b>Balance sheet data:</b>					
Assets:					
Total portfolio investments at fair value	\$ 1,563,330	\$ 1,286,188	\$ 924,431	\$ 658,093	\$ 407,987
Marketable securities and idle funds investments	9,067	13,301	28,535	26,242	9,577
Cash and cash equivalents	60,432	34,701	63,517	42,650	22,334
Deferred tax asset, net					1,958
Interest receivable and other assets	46,406	16,054	14,580	6,539	4,524
Deferred financing costs, net of accumulated amortization	14,550	9,931	5,162	4,168	2,544
<b>Total assets</b>	<b>\$ 1,693,785</b>	<b>\$ 1,360,175</b>	<b>\$ 1,036,225</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>
Liabilities and net assets:					
Credit facility	\$ 218,000	\$ 237,000	\$ 132,000	\$ 107,000	\$ 39,000
4.50% Notes	175,000				
6.125% Notes	90,823	90,882			
SBIC debentures at fair value(1)	222,781	187,050	211,467	201,887	155,558
Payable for securities purchased	14,773	27,088	20,661		
Deferred tax liability, net	9,214	5,940	11,778	3,776	
Dividend payable	7,663	6,577	5,188	2,856	
Interest payable	4,848	2,556	3,562	3,984	3,195
Accounts payable and other liabilities	10,701	10,549	8,593	7,001	1,188
<b>Total liabilities</b>	<b>753,803</b>	<b>567,642</b>	<b>393,249</b>	<b>326,504</b>	<b>198,941</b>
<b>Total net asset value</b>	<b>939,982</b>	<b>792,533</b>	<b>642,976</b>	<b>405,711</b>	<b>245,535</b>
Noncontrolling interest				5,477	4,448
<b>Total liabilities and net assets</b>	<b>\$ 1,693,785</b>	<b>\$ 1,360,175</b>	<b>\$ 1,036,225</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>
<b>Other data:</b>					
Weighted average effective yield on LMM debt investments(2)	13.2%	14.7%	14.3%	14.8%	14.5%
Number of LMM portfolio companies	66	62	56	54	44
Weighted average effective yield on Middle Market debt investments(2)	7.8%	7.8%	8.0%	9.5%	10.5%
Number of Middle Market portfolio companies	86	92	79	57	32
Weighted average effective yield on Private Loan debt investments(2)	10.1%	11.3%	14.8%		
Number of Private Loan portfolio companies	31	15	9		
Expense ratios (as percentage of average net assets):					
Total expenses, including income tax expense	5.8%	5.8%	8.2%(3)	9.8%(3)	8.8%(3)
Operating expenses	5.1%	5.8%	6.1%(3)	8.0%(3)	8.3%(3)
Operating expenses, excluding interest expense	2.4%	3.0%	3.0%(3)	4.0%(3)	4.0%(3)

(1) SBIC debentures for December 31, 2014, 2013, 2012, 2011 and 2010 are \$225,000, \$200,200, \$225,000, \$220,000 and \$180,000 at par, respectively, with par of \$75,200 for December 31, 2014 and 2013, \$100,000 for December 31, 2012, and \$95,000 for

## Edgar Filing: Main Street Capital CORP - Form 497

December 31, 2011 and 2010 recorded at fair value of \$72,981, \$62,050, \$86,467, 76,887 and \$70,558, as of December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

- (2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status.
- (3) Ratios are net of amounts attributable to MSC II non-controlling interest.

S-23

---

Table of Contents

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

*The following discussion should be read in conjunction with our consolidated financial statements and notes thereto contained elsewhere in this prospectus supplement.*

*Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings "Forward-Looking Statements" and "Supplementary Risk Factors" in this prospectus supplement and "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" in the accompanying prospectus.*

**ORGANIZATION**

Main Street Capital Corporation ("MSCC") was formed in March 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, (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Internal 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 Internal Investment Manager acts as MSMF's manager and investment adviser. Because we wholly own the Internal Investment Manager, which employs all of the executive officers and other employees of MSCC, we do not pay any external investment advisory fees, but instead we incur the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

During January 2010, MSCC acquired (the "Exchange Offer") 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") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries ("External Parties") and receive fee income for such services. MSCC has been granted no action relief by the Securities and Exchange Commission ("SEC") to allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"). The External Investment Manager is accounted for as a portfolio investment of MSCC, since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or their portfolio companies.

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

Table of Contents

"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.

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. Each of the Investment Managers is also a direct wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries and the Investment Managers 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, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the year ended December 31, 2014 are net of expenses of \$2.0 million

Table of Contents

charged to the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

We seek to fill the financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions is important to LMM portfolio companies. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years from the original investment date. We believe that our LMM investment strategy has limited correlation to the broader debt and equity markets.

As of December 31, 2014, we had debt and equity investments in 66 LMM portfolio companies with an aggregate fair value of approximately \$733.2 million, with a total cost basis of approximately \$599.4 million, and a weighted average annual effective yield on our LMM debt investments of approximately 13.2%. As of December 31, 2014, approximately 72% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 90% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2014, we had equity ownership in approximately 95% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest bearing debt securities in privately held companies that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

As of December 31, 2014, we had Middle Market portfolio investments in 86 companies, collectively totaling approximately \$542.7 million in fair value with a total cost basis of approximately \$561.8 million. The weighted average earnings before interest, taxes, depreciation and amortization ("EBITDA") for the 86 Middle Market portfolio companies was approximately \$77.2 million as of December 31, 2014. As of December 31, 2014, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 85% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of

Table of Contents

December 31, 2014. As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio companies was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio, but are investments that have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

As of December 31, 2014, we had Private Loan portfolio investments in 31 companies, collectively totaling approximately \$213.0 million in fair value with a total cost basis of approximately \$224.0 million. The weighted average EBITDA for the 31 Private Loan portfolio companies was approximately \$18.1 million as of December 31, 2014. As of December 31, 2014, approximately 96% of our Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 10.1% as of December 31, 2014. As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio companies was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, approximately 95% of our Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2014, we had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of our Investment Portfolio (as defined in "Critical Accounting Policies Basis of Presentation" below) at fair value as of December 31, 2014. As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised approximately 3.3% of our Investment Portfolio at fair value as of December 31, 2013.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of our Investment Portfolio

Table of Contents

at fair value. As of December 31, 2013, there was no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio at fair value.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes. An investor's return in MSCC will depend, in part, on the Funds' investment returns as they are wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation on our investments will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

Because we are internally managed, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4%, compared to 1.7% for the year ended December 31, 2013 (with the 2013 ratio excluding interest expense and excluding the effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice-Chairman, which resulted in additional share-based compensation expense of \$1.3 million during 2013). Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended December 31, 2013 was 1.8%.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source of income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. We and the External Investment Manager agreed to waive all such fees from the effective date of HMS Income's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither we nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager has not waived the base management fees or incentive fees after December 31, 2013 and, as a result, began accruing such fees on January 1, 2014. During the year



Table of Contents

ended December 31, 2014, the External Investment Manager earned \$2.8 million of base management fees under the sub-advisory agreement with HMS Adviser.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries (which as noted above and discussed in detail below, include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, include the Internal Investment Manager which was previously treated as a portfolio investment). The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager. For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see further discussion below) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedules of Investments due to the nature of such investments. Our results of operations and cash flows for the years ended December 31, 2014, 2013 and 2012 and our financial position as of December 31, 2014 and 2013 are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation.

Under the regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services Investment Companies* ("ASC 946"), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in ASC 946 occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us, or to our portfolio companies. None of the portfolio investments made by us qualify for this exception, including the investment in the External Investment Manager, except as discussed below with respect to the Internal Investment Manager. Therefore, the Investment Portfolio is carried on the balance sheet at fair value, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on our 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)." For all periods prior to and including March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment and included as part of the Investment Portfolio in our consolidated financial statements. The Internal Investment Manager was consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013

Table of Contents

as the controlled operating subsidiary is providing substantially all of its services directly or indirectly to Main Street or our portfolio companies.

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2014 and 2013, our Investment Portfolio valued at fair value represented approximately 92% and 95% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of FASB 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 us 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.

Our portfolio strategy calls for us to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We categorize some of our investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities issued by companies that are consistent in size with either the LMM companies or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio. Our portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Our portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policies and processes are intended to provide a consistent basis for determining the fair value of our Investment Portfolio.

For LMM portfolio investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process by using an enterprise value waterfall methodology ("Waterfall") for our LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for our LMM debt investments. For Middle Market portfolio investments, we primarily use quoted prices in the valuation process. We determine the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. For Middle Market and Private Loan portfolio investments in debt securities for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For our Other Portfolio equity

Table of Contents

investments, we generally calculate the fair value of the investment primarily based on the net asset value ("NAV") of the fund. All of the valuation approaches for our portfolio investments estimate the value of the investment as if we were to sell, or exit, the investment as of the measurement date.

These valuation approaches consider the value associated with our ability to control the capital structure of the portfolio company, as well as the timing of a potential exit. For valuation purposes, "control" portfolio investments are composed of debt and equity securities in companies for which we have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. For valuation purposes, "non-control" portfolio investments are generally composed of debt and equity securities in companies for which we do not have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors.

Under the Waterfall valuation method, we estimate the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then perform a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. 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 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, we analyze various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in our determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, we allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, we assume the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which we believe is consistent with our past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, we use the income approach to determine the fair value of debt securities, based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts 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. Our estimate of the expected repayment date of our debt securities is generally the legal maturity date of the instrument, as we generally intend to hold our loans and debt securities to maturity. The Yield-to-Maturity analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the Yield-to-Maturity analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the fair value will not exceed the principal amount of the debt security valued using the Yield-to-Maturity valuation method. A change in the assumptions that we use to estimate the fair value of our debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, we may consider other factors in determining the fair value of the 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.

Table of Contents

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, we may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of our investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of our interests in the investment fund.

Pursuant to our internal valuation process and the requirements under the 1940 Act, we perform valuation procedures on our investments in each LMM portfolio company quarterly. In addition to our internal valuation process, in determining the estimates of fair value for our investments in LMM portfolio companies, we, among other things, consult with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm is generally consulted relative to our investments in each LMM portfolio company at least once in every calendar year, and for our investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result is not in our stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on our investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of our investment in a LMM portfolio company is determined to be insignificant relative to the total Investment Portfolio. We consulted with our independent financial advisory services firm in arriving at our determination of fair value on our investments in a total of 52 LMM portfolio companies for the year ended December 31, 2014, representing approximately 83% of the total LMM portfolio at fair value as of December 31, 2014, and on a total of 50 LMM portfolio companies for the year ended December 31, 2013, representing approximately 76% of the total LMM portfolio at fair value as of December 31, 2013. Excluding our investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of December 31, 2014 and 2013, as applicable, and our investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed by our independent financial advisory services firm for the year ended December 31, 2014 and 2013 was 99% and 100% of the total LMM portfolio at fair value as of December 31, 2014 and 2013, respectively.

For valuation purposes, all of our Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, we use observable inputs to determine the fair value of these investments through obtaining third-party quotes or other independent pricing. For Middle Market portfolio investments for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method.

For valuation purposes, all of our Private Loan portfolio investments are non-control investments. For Private Loan portfolio investments for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Private Loan debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Private Loan equity investments in a current hypothetical sale using the Waterfall valuation method.

Table of Contents

For valuation purposes, all of our Other Portfolio investments are non-control investments. Our Other Portfolio investments comprised approximately 3.8% and 3.3%, respectively, of our Investment Portfolio at fair value as of December 31, 2014 and 2013. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we generally determine the fair value of our investments using the NAV valuation method. For Other Portfolio debt investments, we generally determine the fair value of these investments through obtaining third-party quotes or other independent pricing to the extent that these inputs are available and appropriate to determine fair value. For Other Portfolio debt investments for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method.

For valuation purposes, our investment in the External Investment Manager is a control investment. Market quotations are not readily available for this investment, and as a result, we determine the fair value of the External Investment Manager using the Waterfall valuation method under the market approach. In estimating the enterprise value, we analyze various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market multiples. This valuation approach estimates the value of the investment as if we were to sell, or exit, the investment. In addition, we consider the value associated with our ability to control the capital structure of the company, as well as the timing of a potential exit.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio may differ materially from the values that would have been determined 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. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

Our Board of Directors has the final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. We believe our Investment Portfolio as of December 31, 2014 and 2013 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

***Revenue Recognition***

***Interest and Dividend Income***

We record interest and dividend income on the accrual basis to the extent amounts are expected to be collected. Dividend income is recorded as dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. In accordance with our valuation policies, we evaluate accrued interest and dividend income periodically for collectability. When a loan or debt security becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we 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, we remove it from non-accrual status.

Table of Contents

*Fee Income*

We may periodically provide services, including structuring and advisory services, to our portfolio companies or other third parties. 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 deferred and accreted into interest income over the life of the financing.

*Payment-in-Kind ("PIK") Interest and Cumulative Dividends*

We hold debt and preferred equity instruments in our Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. 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 we may not have collected the PIK interest and cumulative dividends in cash. We stop accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2014, 2013 and 2012 (i) approximately 3.3%, 4.3% and 4.3%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.3%, 1.2% and 0.3%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

*Share-Based Compensation*

We account for our share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation Stock Compensation*. Accordingly, for restricted stock awards, we measured the grant date fair value based upon the market price of our common stock on the date of the grant and will amortize this fair value to share-based compensation expense over the requisite service period or vesting term.

*Income Taxes*

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% U.S. federal 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 U.S. federal income tax return for the applicable fiscal year.

The Taxable Subsidiaries hold certain portfolio investments for us. The Taxable Subsidiaries are consolidated with us for U.S. GAAP reporting purposes, and the portfolio investments held by them are included in our consolidated financial statements as portfolio investments and recorded at fair value. The Taxable Subsidiaries permit us to hold equity investments in portfolio companies which are

Table of Contents

"pass-through" entities for tax purposes and continue to comply with the "source-income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with us for income tax purposes and may generate income tax expense, or benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in our consolidated financial statements.

The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with us for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The Internal Investment Manager elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Internal Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. Through March 31, 2013, the Internal Investment Manager provided for any income tax expense, or benefit, and any related tax assets or liabilities, in its separate financial statements. Beginning April 1, 2013, the Internal Investment Manager is included in our consolidated financial statements and reflected as a consolidated subsidiary and any income tax expense, or benefit, and any related tax assets and liabilities, are reflected in our consolidated financial statements.

The Taxable Subsidiaries and the Internal Investment Manager 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.

**INVESTMENT PORTFOLIO COMPOSITION**

LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and our LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, we receive nominally priced equity warrants and/or make direct equity investments in connection with a debt investment.

Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio companies generally have annual revenues between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our

Table of Contents

Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the year ended December 31, 2014 are net of expenses of \$2.0 million charged to the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager).

<b>Cost:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
First lien debt	75.7%	79.0%
Equity	11.6%	10.4%
Second lien debt	10.0%	8.4%
Equity warrants	1.5%	1.9%
Other	1.2%	0.3%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
First lien debt	66.9%	69.9%
Equity	21.9%	19.3%
Second lien debt	9.2%	7.6%
Equity warrants	1.0%	2.9%
Other	1.0%	0.3%
	100.0%	100.0%



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

The following tables summarize the composition of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States or other countries at cost and fair value as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Southwest	29.6%	27.8%
Northeast	19.9%	18.0%
West	18.7%	19.1%
Southeast	15.4%	15.6%
Midwest	13.5%	15.4%
Canada	0.7%	1.2%
Other Non-United States	2.2%	2.9%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Southwest	33.7%	30.9%
West	20.4%	20.1%
Northeast	18.3%	17.6%
Midwest	12.7%	15.0%
Southeast	12.4%	12.6%
Canada	0.6%	1.1%
Other Non-United States	1.9%	2.7%
	100.0%	100.0%

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, by industry at cost and fair value as of

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager).

Cost:	December 31, 2014	December 31, 2013
Media	8.3%	7.8%
Energy Equipment & Services	8.3%	10.7%
Machinery	6.5%	3.3%
IT Services	5.9%	6.1%
Hotels, Restaurants & Leisure	5.6%	5.8%
Software	5.4%	3.8%
Construction & Engineering	5.3%	4.1%
Health Care Providers & Services	4.9%	5.8%
Specialty Retail	4.7%	7.2%
Diversified Telecommunication Services	4.0%	3.3%
Electronic Equipment, Instruments & Components	3.0%	2.3%
Diversified Consumer Services	2.9%	2.4%
Oil, Gas & Consumable Fuels	2.5%	3.2%
Auto Components	2.3%	1.6%
Health Care Equipment & Supplies	2.1%	1.2%
Internet Software & Services	1.9%	2.5%
Road & Rail	1.8%	2.7%
Food Products	1.8%	0.9%
Pharmaceuticals	1.8%	0.6%
Textiles, Apparel & Luxury Goods	1.3%	1.6%
Chemicals	1.3%	1.3%
Aerospace & Defense	1.2%	0.8%
Trading Companies & Distributors	1.2%	1.5%
Professional Services	1.1%	1.4%
Building Products	1.1%	1.4%
Commercial Services & Supplies	1.0%	5.1%
Distributors	1.0%	0.0%
Diversified Financial Services	1.0%	0.4%
Containers & Packaging	0.9%	1.0%
Consumer Finance	0.9%	1.1%
Other(1)	9.0%	9.1%
	100.0%	100.0%

---

(1) Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

Table of Contents

Fair Value:	December 31, 2014	December 31, 2013
Machinery	8.1%	5.3%
Energy Equipment & Services	7.9%	10.2%
Media	7.7%	7.6%
Hotels, Restaurants & Leisure	5.6%	5.6%
Construction & Engineering	5.5%	4.6%
Software	5.5%	4.0%
IT Services	5.4%	5.6%
Specialty Retail	4.9%	6.5%
Diversified Consumer Services	4.4%	3.9%
Health Care Providers & Services	4.4%	5.6%
Diversified Telecommunication Services	3.8%	3.6%
Electronic Equipment, Instruments & Components	2.5%	2.4%
Auto Components	2.5%	1.5%
Internet Software & Services	2.3%	2.9%
Road & Rail	2.3%	3.0%
Oil, Gas & Consumable Fuels	1.9%	2.9%
Health Care Equipment & Supplies	1.9%	1.0%
Pharmaceuticals	1.7%	0.6%
Food Products	1.6%	0.8%
Paper & Forest Products	1.2%	1.3%
Textiles, Apparel & Luxury Goods	1.2%	1.4%
Chemicals	1.2%	1.2%
Aerospace & Defense	1.1%	0.7%
Trading Companies & Distributors	1.1%	1.3%
Commercial Services & Supplies	1.0%	4.6%
Professional Services	1.0%	1.2%
Distributors	1.0%	0.0%
Diversified Financial Services	1.0%	0.4%
Building Products	0.9%	1.0%
Other(1)	9.4%	9.3%
	100.0%	100.0%

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments carry a number of risks including, but not limited to: (1) investing in companies which may have limited operating histories and financial resources; (2) holding investments that generally are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in our Investment Portfolio. Please see "Risk Factors Risks Related to Our Investments" for a more complete discussion of the risks involved with investing in our Investment Portfolio.

**PORTFOLIO ASSET QUALITY**

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

consideration various factors, including but not limited to, each investment's expected level of returns and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook.

Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.

Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations.

Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations.

Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us.

Investment Rating 5 represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new LMM portfolio investments receive an initial Investment Rating of 3.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of December 31, 2014 and 2013.

Investment Rating	As of December 31, 2014		As of December 31, 2013	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(in thousands, except percentages)				
1	\$ 287,693	39.2%	\$ 242,013	36.7%
2	133,266	18.2%	116,908	17.7%
3	239,100	32.6%	239,843	36.4%
4	61,475	8.4%	60,641	9.2%
5	11,657	1.6%		0.0%
Total	\$ 733,191	100.0%	\$ 659,405	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio as of December 31, 2014 and 2013 was approximately 2.2 and 2.2, respectively.

As of December 31, 2014, our total Investment Portfolio had five investments with positive fair value on non-accrual status, which comprised approximately 1.7% of its fair value and 4.7% of its cost, and no fully impaired investments. As of December 31, 2013, our total Investment Portfolio had two investments with positive fair value on non-accrual status, which comprised approximately 2.3% of its fair value and 4.7% of its cost, and no fully impaired investments.

The operating results of our portfolio companies are impacted by changes in the broader fundamentals of the United States economy. In the event that the United States economy contracts, it is likely that the financial results of small-to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles or other conditions, which could also have a negative impact on our future results.



Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of years ended December 31, 2014 and 2013*

	Twelve Months Ended December 31,		Net Change	
	2014	2013	Amount	%
	(in thousands)			
Total investment income	\$ 140,763	\$ 116,497	\$ 24,266	21%
Total expenses	(45,227)	(41,074)	(4,153)	10%
Net investment income	95,536	75,423	20,113	27%
Net realized gain from investments	23,206	7,277	15,929	219%
Net realized loss from SBIC debentures		(4,775)	4,775	
Net realized income	118,742	77,925	40,817	52%
Net change in unrealized appreciation (depreciation) from:				
Portfolio investments	(824)	16,155	(16,979)	
SBIC debentures and marketable securities and idle funds	(10,883)	2,740	(13,623)	
Total net change in unrealized appreciation (depreciation)	(11,707)	18,895	(30,602)	
Income tax benefit (provision)	(6,287)	35	(6,322)	
Net increase in net assets resulting from operations	\$ 100,748	\$ 96,855	\$ 3,893	4%

	Twelve Months Ended December 31,		Net Change	
	2014	2013	Amount	%
	(in thousands, except per share amounts)			
Net investment income	\$ 95,536	\$ 75,423	\$ 20,113	27%
Share-based compensation expense	4,215	4,210	5	0%
Distributable net investment income(a)	99,751	79,633	20,118	25%
Net realized gain from investments	23,206	7,277	15,929	219%
Net realized loss from SBIC debentures		(4,775)	4,775	
Distributable net realized income(a)	\$ 122,957	\$ 82,135	\$ 40,822	50%
Distributable net investment income per share Basic and diluted(a)	\$ 2.29	\$ 2.17	\$ 0.12	6%
Distributable net realized income per share Basic and diluted(a)	\$ 2.83	\$ 2.24	\$ 0.59	26%

(a)

## Edgar Filing: Main Street Capital CORP - Form 497

Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. We believe presenting distributable net investment income and distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing our financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

S-41

---



Table of Contents

*Investment Income*

For the year ended December 31, 2014, total investment income was \$140.8 million, a 21% increase over the \$116.5 million of total investment income for the corresponding period of 2013. This comparable period increase was principally attributable to (i) a \$15.9 million increase in interest income from higher average levels of portfolio debt investments, (ii) an \$8.1 million increase in dividend income from Investment Portfolio equity investments and (iii) a \$0.8 million increase in fee income from higher origination activity and refinancing and prepayment activity, partially offset by a \$0.6 million decrease in interest and dividend income due to a lower level of Marketable securities and idle funds investments. The \$24.3 million increase in total investment income in the year ended December 31, 2014 includes a \$1.3 million net decrease in investment income related to accelerated prepayment and repricing activity for certain Investment Portfolio debt investments and Marketable securities and idle funds investments and \$1.6 million of unusual dividend income.

*Expenses*

For the year ended December 31, 2014, total expenses increased to \$45.2 million from \$41.1 million for the corresponding period of 2013. This comparable period increase in operating expenses was principally attributable to (i) a \$3.4 million increase in interest expense, primarily as a result of (a) the issuance of our 6.125% Notes due 2023 (the "6.125% Notes") in April 2013, (b) the issuance of our 4.50% Notes due 2019 (the "4.50% Notes") in November 2014 and (c) a higher average outstanding balance on our credit facility ("Credit Facility") when compared to prior year, partially offset by a decrease in interest expense from our SBIC debentures due to a lower average interest rate, in both cases when compared to the prior year, (ii) a \$1.0 million increase in compensation expense related to increases in the number of personnel, base compensation and other incentive compensation accruals and (iii) a \$1.8 million increase related to other general and administrative expenses, partially offset by (i) a \$2.0 million decrease in expenses related to the expenses charged to the External Investment Manager (see further discussion in "Overview"), in each case when compared to the prior year. Share-based compensation expense was \$4.2 million for 2014, which is unchanged from 2013, due to the net effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice-Chairman in 2013, which resulted in additional share-based compensation expense of \$1.3 million in the prior year, which was offset by an increase of \$1.3 million related to non-cash amortization for the vesting of restricted share grants in 2014. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% compared to 1.7% for the year ended December 31, 2013 (the prior year comparison excluding the effect of the accelerated vesting as discussed above). Including the effect of the accelerated vesting of restricted stock, the ratio would have been 1.8% for the year ended December 31, 2013.

*Distributable Net Investment Income*

Distributable net investment income increased 25% to \$99.8 million, or \$2.29 per share, compared with \$79.6 million, or \$2.17 per share, in the corresponding period of 2013. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the year ended December 31, 2014 reflects (i) a decrease of approximately \$0.06 per share from the comparable period in 2013 attributable to the net decrease in the comparable levels of accelerated prepayment and repricing activity for certain investment portfolio debt investments, (ii) approximately \$0.04 per share attributable to the unusual dividend income as discussed above and (iii) a greater number of average shares outstanding compared to the corresponding period in 2013 primarily due to the August 2013 and April 2014 follow-on equity offerings.

Table of Contents

*Net Investment Income*

Net investment income for the year ended December 31, 2014 was \$95.5 million, or a 27% increase, compared to net investment income of \$75.4 million for the corresponding period of 2013. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income was \$123.0 million, or \$2.83 per share, for the year ended December 31, 2014 compared with \$82.1 million, or \$2.24 per share, in the corresponding period of 2013. The \$40.8 million increase was primarily attributable to (i) the \$20.1 million increase in total distributable net investment income in the year ended December 31, 2014 when compared to the corresponding period of 2013 as discussed above, (ii) the \$15.9 million increase in the net realized gain from investments for the year ended December 31, 2014 and (iii) the \$4.8 million decrease in the net realized loss from SBIC debentures to zero for the year ended December 31, 2014. The net realized gain from investments of \$23.2 million during the year ended December 31, 2014 was primarily attributable to (i) \$27.1 million of realized gains recognized on the exit of four LMM portfolio investments in 2014 and (ii) net realized gains on several Middle Market investments totaling \$2.0 million, partially offset by a net realized loss of \$6.5 million in conjunction with a change in control transaction involving a LMM portfolio company in the second quarter of 2014.

*Net Realized Income*

The higher level of net investment income for the year ended December 31, 2014 as compared to the year ended December 31, 2013, the \$15.9 million increase in the net realized gain from investments in the year ended December 31, 2014 as compared to December 31, 2013 and the \$4.8 million decrease in the net realized loss from SBIC debentures recognized in year ended December 31, 2013, in each case as discussed above, resulted in a \$40.8 million increase in net realized income compared with the corresponding period of 2013.

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the year ended December 31, 2014 was \$100.7 million, or \$2.31 per share, compared with \$96.9 million, or \$2.65 per share, during the year ended December 31, 2013. This increase from the prior year was primarily the result of (i) a \$20.1 million increase in net investment income and (ii) a \$15.9 million increase in the net realized gain (loss) from investments and (iii) the \$4.8 million decrease in the net realized loss from SBIC debentures, in each case due to the factors discussed above, partially offset by (i) a \$30.6 million decrease in net change in unrealized appreciation (depreciation) to \$11.7 million of net unrealized depreciation for the year ended December 31, 2014 compared to \$18.9 million of net unrealized appreciation in the prior year and (ii) a \$6.3 million increase in the income tax provision from the prior year. The total net unrealized depreciation for the year ended December 31, 2014 of \$11.7 million included (i) net unrealized appreciation totaling \$33.7 million on LMM portfolio investments, including unrealized appreciation on 39 LMM portfolio investments and unrealized depreciation on 12 LMM portfolio investments, (ii) \$14.5 million of unrealized appreciation on the External Investment Manager, and (iii) \$0.3 million of net unrealized appreciation on Other Portfolio investments, offset by (i) accounting reversals of net unrealized appreciation from prior periods of \$20.7 million related to portfolio investment exits and repayments, (ii) \$18.7 million of net unrealized depreciation on Middle Market portfolio investments, (iii) \$10.9 million of unrealized depreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis, and (iv) \$9.9 million of net unrealized depreciation on Private Loan portfolio investments. The income tax provision for the year ended December 31, 2014 of \$6.3 million principally consisted of deferred taxes of \$3.3 million, which is

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

primarily the result of the impact on deferred taxes related to the utilization of net operating losses and net unrealized appreciation on our portfolio investments held in our Taxable Subsidiaries, and other taxes of \$3.0 million, which includes a \$1.4 million accrual for U.S. federal excise tax on our estimated spillover taxable income and \$1.6 million related to accruals for state and other taxes.

*Comparison of years ended December 31, 2013 and 2012*

	Twelve Months Ended December 31,		Net Change	
	2013	2012	Amount	%
	(dollars in millions)			
Total investment income	\$ 116.5	\$ 90.5	\$ 26.0	29%
Total expenses	(41.1)	(31.2)	(9.9)	32%
Net investment income	75.4	59.3	16.1	27%
Net realized gain from investments	7.3	16.5	(9.2)	(56)%
Net realized loss from SBIC debentures	(4.8)		(4.8)	
Net realized income	77.9	75.8	2.1	3%
Net change in unrealized appreciation (depreciation) from:				
Portfolio investments	16.2	44.7	(28.5)	(64)%
SBIC debentures, marketable securities and idle funds and investment in the Internal Investment Manager	2.8	(5.2)	8.0	
Total net change in unrealized appreciation	19.0	39.5	(20.5)	(52)%
Income tax provision		(10.8)	10.8	
Noncontrolling interest		(0.1)	0.1	
Net increase in net assets resulting from operations attributable to common stock	\$ 96.9	\$ 104.4	\$ (7.5)	(7)%

	Twelve Months Ended December 31,		Net Change	
	2013	2012	Amount	%
	(dollars in millions)			
Net investment income	\$ 75.4	\$ 59.3	\$ 16.1	27%
Share-based compensation expense	4.2	2.6	1.6	64%
Distributable net investment income(a)	79.6	61.9	17.7	29%
Net realized gain from investments	7.3	16.5	(9.2)	(56)%
Net realized loss from SBIC debentures	(4.8)		(4.8)	
Distributable net realized income(a)	82.1	78.4	3.7	5%
Distributable net investment income per share Basic and diluted(a)(b)	\$ 2.17	\$ 2.09	\$ 0.08	4%
Distributable net realized income per share Basic and diluted(a)(b)	\$ 2.24	\$ 2.65	\$ (0.41)	(15)%

(a)

Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. We believe presenting distributable net investment income and distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing our financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are

S-44

---

Table of Contents

non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

(b)

Per share amounts exclude the earnings attributable to the noncontrolling equity interests in MSC II not owned by Main Street for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

*Investment Income*

For the year ended December 31, 2013, total investment income was \$116.5 million, a 29% increase over the \$90.5 million of total investment income for the corresponding period of 2012. This comparable period increase was principally attributable to (i) a \$22.4 million increase in interest income from higher average levels of portfolio debt investments and increased activity in the Investment Portfolio and (ii) a \$3.9 million increase in dividend income from Investment Portfolio equity investments, partially offset by a \$0.3 million decrease in interest and dividend income from Marketable securities and idle funds investments. The \$26.0 million increase in investment income in the year ended December 31, 2013 includes a \$1.7 million decrease in the amount of non-recurring investment income associated with debt repayment and financing activities of LMM portfolio investments included in investment income, partially offset by a \$1.1 million increase in the amount of investment income related to higher accelerated prepayment and repricing activity of certain Middle Market and Private Loan portfolio debt investments and Marketable securities and idle funds investments in each case for the year ended December 31, 2013, when compared to the same period in 2012.

*Expenses*

For the year ended December 31, 2013, total expenses increased to \$41.1 million from \$31.2 million for the corresponding period of 2012. This comparable period increase in expenses was principally attributable to (i) a \$4.6 million increase in interest expense, (ii) higher compensation and related expenses of \$2.1 million, primarily as a result of additional personnel compared to the same period in the prior year, (iii) a \$1.6 million increase in other general and administrative expenses and (iv) an increase of \$1.6 million in share-based compensation, primarily due to \$1.3 million of expense associated with the accelerated vesting of all the unvested shares of restricted stock in connection with the retirement of our former Executive Vice-Chairman during the year ended December 31, 2013. The \$4.6 million increase in interest expense was primarily a result of (i) a \$4.4 million increase primarily related to the issuance of the 6.125% Notes in April 2013 and (ii) a \$1.3 million increase related to a higher average outstanding balance on the Credit Facility, partially offset by a \$1.1 million decrease related to prepayments on our Small Business Investment Company ("SBIC") debentures and lower average interest rates on the SBIC debentures. The ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock of our former Executive Vice-Chairman discussed above, as a percentage of our average total assets was 1.7% for the year ended December 31, 2013, compared to 1.8% for the prior year. Including the effect of the accelerated vesting of restricted stock of our former Executive Vice-Chairman, the ratio would have been 1.8% for the year ended December 31, 2013.

*Distributable Net Investment Income*

Distributable net investment income increased \$17.7 million to \$79.6 million, or \$2.17 per share, compared with \$61.9 million, or \$2.09 per share, in the corresponding period of 2012. The increase in

Table of Contents

distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. The distributable net investment income on a per share basis for the year ended December 31, 2013 reflects the impact of a greater number of average shares outstanding compared to the corresponding period in 2012 primarily due to the June 2012, December 2012 and August 2013 follow-on equity offerings.

*Net Investment Income*

Net investment income for the year ended December 31, 2013 was \$75.4 million, or a 27% increase, compared to net investment income of \$59.3 million for the corresponding period of 2012. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income was \$82.1 million, or \$2.24 per share, for the year ended December 31, 2013 compared with \$78.4 million, or \$2.65 per share, in the corresponding period of 2012. The \$3.7 million increase was primarily attributable to higher distributable net investment income in the year ended December 31, 2013 compared to the corresponding period of 2012 as discussed above, partially offset by (i) a decrease in net realized gain from investments of \$9.2 million, to \$7.3 million in 2013 from \$16.5 million in prior year, and (ii) a realized loss of \$4.8 million on the repayment of certain SBIC debentures issued to MSC II which had been accounted for on the fair value method of accounting under ASC 825. The \$7.3 million net realized gain on investments during the year ended December 31, 2013 was primarily attributable to (i) a realized gain of \$11.3 million on the full exit of two LMM equity investments, (ii) realized gains of \$1.0 million on the partial exits of several LMM investments, (iii) net realized gains on several Middle Market and Marketable securities and idle funds investments totaling \$1.9 million, partially offset by (i) realized losses of \$2.6 million on the restructuring of a LMM equity investment and \$1.8 million on the full exit of one LMM investment, respectively, and (ii) the realized loss of \$1.8 million on the full exit of one Middle Market investment.

*Net Realized Income*

The lower net realized gain from investments and the realized loss from the SBIC debentures, partially offset by the higher net investment income, in the year ended December 31, 2013 compared to the corresponding period of 2012, in each case as discussed above, resulted in a \$2.1 million increase in net realized income compared with the corresponding period of 2012.

*Net Increase in Net Assets Resulting from Operations Attributable to Common Stock*

The net increase in net assets resulting from operations attributable to common stock during the year ended December 31, 2013 was \$96.9 million, or \$2.65 per share, compared with \$104.4 million, or \$3.53 per share, in the corresponding period of 2012. This \$7.5 million decrease from the comparable period in the prior year was primarily the result of the \$20.5 million difference in the net change in unrealized appreciation to \$19.0 million for the year ended December 31, 2013, compared to \$39.5 million for the comparable period in the prior year, partially offset by (i) a \$10.8 million decrease in the net income tax provision and (ii) the \$2.1 million increase in net realized income due to the factors discussed above, both for the year ended December 31, 2013 in comparison to the comparable period in the prior year. The total net change in unrealized appreciation for the year ended December 31, 2013 of \$19.0 million included (i) \$16.2 million of net unrealized appreciation from portfolio investments and (ii) the net unrealized appreciation of \$4.4 million on the SBIC debentures, which resulted from the \$4.8 million of accounting reversals of prior unrealized depreciation on the

Table of Contents

SBIC debentures in conjunction with the realized loss on the repayment of the SBIC debentures as discussed above, partially offset by net unrealized depreciation of \$0.4 million on the remaining SBIC debentures held by MSC II, partially offset by the net unrealized depreciation from Marketable securities and idle funds investments of \$1.7 million. The \$16.2 million net change in unrealized appreciation from portfolio investments for the year ended December 31, 2013 was principally attributable to (i) unrealized appreciation on 37 LMM portfolio investments totaling \$60.6 million, partially offset by unrealized depreciation on 15 LMM portfolio investments totaling \$38.8 million, (ii) \$3.7 million of net unrealized appreciation on Middle Market investments, (iii) \$1.1 million of net unrealized appreciation on the External Investment Manager and (iv) \$2.2 million of net unrealized appreciation on the Other Portfolio investments, partially offset by accounting reversals of net unrealized appreciation from prior periods of \$12.8 million related to portfolio investment exits and repayments. The net income tax benefit for the year ended December 31, 2013 related to a deferred tax benefit of \$3.6 million, partially offset by an income tax provision on other taxes of \$3.6 million. The deferred taxes related primarily to net unrealized depreciation on equity investments held in our Taxable Subsidiaries. The other taxes include \$1.8 million related to an accrual for excise tax on our estimated spillover taxable income and \$1.8 million related to accruals for state and other taxes.

***Liquidity and Capital Resources****Cash Flows*

For the year ended December 31, 2014, we experienced a net increase in cash and cash equivalents in the amount of \$25.7 million, which is the net result of \$190.9 million of cash used for our operating activities and \$216.6 million provided by financing activities.

During the period, we used \$190.9 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our operating activities totaling \$84.5 million, which is our \$99.8 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.5 million, payment-in-kind interest income of \$4.7 million, cumulative dividends of \$1.8 million and the amortization expense for deferred financing costs of \$1.7 million, (ii) cash uses totaling \$858.2 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2013, which together total \$831.2 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2013, which together total \$22.7 million and (c) increases in other assets of \$4.3 million, and (iii) cash proceeds totaling \$582.8 million from (a) \$554.7 million in cash proceeds from the repayments of debt investments and sales of equity investments, (b) \$27.0 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) \$1.1 million related to increases in payables and accruals.

During 2014, \$216.6 million in cash was provided by financing activities, which principally consisted of (i) \$175.0 million in proceeds from the issuance of the 4.50% Notes in November 2014, (ii) \$139.7 million in net cash proceeds from a follow-on public equity offering in April 2014 and (iii) \$24.8 million in cash proceeds from the issuance of SBIC debentures, partially offset by (i) \$95.9 million in cash dividends paid to stockholders, (ii) \$19.0 million in net cash repayments of the Credit Facility, (iii) \$6.4 million in loan costs associated with our SBIC debentures, the 4.50% Notes and the Credit Facility and (iv) \$1.5 million in other costs.

For the year ended December 31, 2013, we experienced a net decrease in cash and cash equivalents in the amount of \$28.8 million, which is the net result of \$240.7 million of cash used for our operating activities and \$211.9 million provided by financing activities.

During the period, we used \$240.7 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our

Table of Contents

operating activities totaling \$63.8 million, which is our \$79.6 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.9 million, payment-in-kind interest income of \$5.0 million, cumulative dividends of \$1.4 million and the amortization expense for deferred financing costs of \$1.5 million, (ii) cash uses totaling \$824.8 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2012, which together total \$767.5 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2012, which together total \$54.0 million, and (c) \$3.3 million related to decreases in payables and accruals, and (iii) cash proceeds totaling \$520.3 million from (a) \$465.0 million in cash proceeds from the repayments or sales of debt investments and sales of equity investments, (b) \$51.7 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) decreases in other assets of \$3.6 million.

During 2013, \$211.9 million in cash was provided by financing activities, which principally consisted of (i) \$131.5 million in net cash proceeds from a follow-on public equity offering in August 2013, (ii) \$105.0 million in net cash proceeds from the Credit Facility and (iii) \$92.0 million in cash proceeds from the issuance of the 6.125% Notes, partially offset by (i) a \$24.8 million net decrease in outstanding SBIC debentures resulting from \$63.8 million in repayments of SBIC debentures, net of \$39.0 million in proceeds from the issuance of SBIC debentures, (ii) \$83.2 million in cash dividends paid to stockholders and (iii) \$6.3 million in loan costs associated with our SBIC debentures, our Notes and the Credit Facility.

*Capital Resources*

As of December 31, 2014, we had \$60.4 million in cash and cash equivalents, \$9.1 million in Marketable securities and idle funds investments and \$354.5 million of unused capacity under the Credit Facility, which we maintain to support our future investment and operating activities. As of December 31, 2014, our net asset value totaled \$940.0 million, or \$20.85 per share.

The Credit Facility was amended during 2014 to increase the total commitments from \$445.0 million to \$572.5 million, decrease the interest rate subject to Main Street maintaining an investment grade rating and extend the final maturity by one year to September 2019. The amended Credit Facility also contains an upsized accordion feature which allows us to increase the total commitments under the facility up to \$650.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate (0.16% as of December 31, 2014) plus 2.00%, as long as we maintain an investment grade rating (or 2.25% if we do not maintain an investment grade rating) or (ii) the applicable base rate (Prime Rate of 3.25% as of December 31, 2014) plus 1.00%, as long as we maintain an investment grade rating (or 1.25% if we do not maintain an investment grade rating). We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2019, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. As of December 31, 2014, we had \$218.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.16% and we were in compliance with all financial covenants of the Credit Facility.



Table of Contents

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital, up to a regulatory maximum amount of debentures of \$225.0 million. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. During the year ended December 31, 2014, we issued \$24.8 million of SBIC debentures under the SBIC program to reach the current regulatory maximum amount of \$225.0 million. On December 31, 2014, through our two wholly owned SBICs, we had \$225.0 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted average annual fixed interest rate of approximately 4.2%, paid semi-annually, and mature ten years from issuance. The first maturity related to our SBIC debentures does not occur until 2017, and the remaining weighted average duration is approximately 6.6 years as of December 31, 2014.

In April 2013, we issued \$92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes. The 6.125% Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. We may from time to time repurchase 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 6.125% Notes was \$90.8 million.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 6.125% Notes and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture.

In November 2014, we issued \$175.0 million in aggregate principal amount of the 4.50% Notes at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year, beginning June 1, 2015. Our total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable by us, were approximately \$171.2 million. We may from time to time repurchase 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 4.50% Notes was \$175.0 million.

Table of Contents

The indenture governing the 4.50% Notes (the "4.50% Notes Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 4.50% Notes and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 4.50% Notes Indenture.

In August 2013, we completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase additional shares, at a price to the public of \$29.75 per share, resulting in total net proceeds of approximately \$131.5 million, after deducting underwriters' commissions and offering costs.

In April 2014, we completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase additional shares, at a price to the public of \$31.50 per share, resulting in total net proceeds of approximately \$139.6 million, after deducting underwriters' commissions and offering costs.

We anticipate that we will continue to fund our investment activities through existing cash and cash equivalents, the liquidation of Marketable securities and idle funds investments, and a combination of future debt and equity capital. Our primary uses of funds will be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

We periodically invest excess cash balances into Marketable securities and idle funds investments. The primary investment objective of Marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments. The composition of Marketable securities and idle funds investments will vary in a given period based upon, among other things, changes in market conditions, the underlying fundamentals in our Marketable securities and idle funds investments, our outlook regarding future LMM, Middle Market and Private Loan portfolio investment needs, and any regulatory requirements applicable to us.

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2014 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock, and we do not currently expect to seek such approval at our 2015 annual meeting of stockholders for the same reason. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders, after consideration and application of our ability under the Code to spillover certain excess undistributed taxable income from one tax year into the next tax year, substantially all of our taxable income. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received an exemptive order from the SEC to exclude SBA guaranteed debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to us, which, in turn, enables us to fund more investments with debt capital.

Table of Contents

Although we have been able to secure access to additional liquidity, including recent public equity and debt offerings, our \$572.5 million Credit Facility, and the available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued or Adopted Accounting Standards***

In February 2013, the FASB issued Accounting Standards Update ("ASU") 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ("ASU 2013-04"). ASU 2013-04 provides additional guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. Public companies are required to apply ASU 2013-04 prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of this standard did not have a material effect on our consolidated financial statements.

In June 2013, the FASB issued Accounting Standards Update ("ASU") 2013-08, Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08"). ASU 2013-08 amends the criteria that define an investment company, clarifies the measurement guidance and requires certain additional disclosures. Public companies are required to apply ASU 2013-08 prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of this standard did not have a material effect on our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of this standard did not have a material effect on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. The new guidance is effective for the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently evaluating the impact the adoption of this new accounting standard will have on our consolidated financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe that the impact of

Table of Contents

recently issued standards and any that are not yet effective will not have a material impact on our financial statements upon adoption.

***Inflation***

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented herein. However, our portfolio companies have experienced, and may in the future experience, the impacts of inflation on their operating results, including periodic escalations in their costs for raw materials and required energy consumption.

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At December 31, 2014, we had a total of \$131.4 million in outstanding commitments comprised of (i) 26 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) six capital commitments that had not been fully called.

***Contractual Obligations***

As of December 31, 2014, the future fixed commitments for cash payments in connection with our SBIC debentures and the 4.50% Notes and the 6.125% Notes for each of the next five years and thereafter are as follows:

	2015	2016	2017	2018	2019	2020 and thereafter	Total
	(dollars in thousands)						
SBIC debentures	\$	\$	\$ 15,000	\$ 10,200	\$ 20,000	\$ 179,800	225,000
Interest due on SBIC debentures	9,421	9,448	9,423	8,130	7,807	17,601	61,830
Notes 6.125%						90,823	90,823
Interest due on 6.125% Notes	5,566	5,566	5,566	5,567	5,567	19,483	47,315
4.50% Notes					175,000		175,000
Interest due on 4.50% Notes	8,444	7,875	7,875	7,875	7,875		39,944
<b>Total</b>	<b>\$ 23,431</b>	<b>\$ 22,889</b>	<b>\$ 37,864</b>	<b>\$ 31,772</b>	<b>\$ 216,249</b>	<b>\$ 307,707</b>	<b>\$ 639,912</b>

As of December 31, 2014, we had \$218.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2019. The Credit Facility contains two, one year extension options which could extend the maturity to September 2021. See further discussion of the Credit Facility terms in "Liquidity and Capital Resources Capital Resources".

***Related Party Transactions***

As discussed further above, the External Investment Manager is treated as a wholly owned portfolio company of ours and is included as part of our Investment Portfolio. At December 31, 2014, we had a receivable of \$1.0 million due from the External Investment Manager which included approximately \$0.7 million related to operating expenses incurred by the Internal Investment Manager required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.3 million.

In June 2013, we adopted a deferred compensation plan for the non-employee members of our board of directors, which allows the directors at their option to defer all or a portion of the fees paid

Table of Contents

for their services as directors and have such deferred fees paid in shares of our common stock within 90 days following the termination of a participant's service as a director. As of December 31, 2014, \$0.6 million of directors' fees had been deferred under this plan. These deferred fees represented 18,672 shares of our common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted average shares outstanding on our consolidated statement of operations as earned.

S-53

---

Table of Contents**SENIOR SECURITIES**

Information about our senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted. Grant Thornton LLP's report on the senior securities table as of December 31, 2014, is an exhibit to the registration statement of which this prospectus supplement is a part.

<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities(1) (dollars in thousands)</b>	<b>Asset Coverage per Unit(2)</b>	<b>Involuntary Liquidating Preference per Unit(3)</b>	<b>Average Market Value per Unit(4)</b>
<b><i>SBIC Debentures</i></b>				
2007	\$ 55,000	3,094		N/A
2008	55,000	3,043		N/A
2009	65,000	2,995		N/A
2010	180,000	2,030		N/A
2011	220,000	2,202		N/A
2012	225,000	2,763		N/A
2013	200,200	2,476		N/A
2014	225,000	2,323		N/A
<b><i>Credit Facility</i></b>				
2010	\$ 39,000	2,030		N/A
2011	107,000	2,202		N/A
2012	132,000	2,763		N/A
2013	237,000	2,476		N/A
2014	218,000	2,323		N/A
<b><i>6.125% Notes</i></b>				
2013	\$ 90,882	2,476		\$ 24.35
2014	90,823	2,323		24.78
<b><i>4.50% Notes</i></b>				
2014	\$ 175,000	2,323		N/A

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The " " indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.
- (4) Average market value per unit for our 6.125% Notes represents the average of the daily closing prices as reported on the NYSE during the period presented. Average market value per unit for our SBIC Debentures, Credit Facility and 4.50% Notes are not applicable because these are not registered for public trading.

Table of Contents

**BUSINESS**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the year ended December 31, 2014 are net of expenses of \$2.0 million charged to the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

We seek to fill the financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions is important to LMM portfolio companies. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our

Table of Contents

investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years from the original investment date. We believe that our LMM investment strategy has limited correlation to the broader debt and equity markets.

As of December 31, 2014, we had debt and equity investments in 66 LMM portfolio companies with an aggregate fair value of approximately \$733.2 million, with a total cost basis of approximately \$599.4 million, and a weighted average annual effective yield on our LMM debt investments of approximately 13.2%. As of December 31, 2014, approximately 72% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 90% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2014, we had equity ownership in approximately 95% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest bearing debt securities in privately held companies that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

As of December 31, 2014, we had Middle Market portfolio investments in 86 companies, collectively totaling approximately \$542.7 million in fair value with a total cost basis of approximately \$561.8 million. The weighted average earnings before interest, taxes, depreciation and amortization ("EBITDA") for the 86 Middle Market portfolio companies was approximately \$77.2 million as of December 31, 2014. As of December 31, 2014, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 85% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2014. As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio companies was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue



Table of Contents

discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio, but are investments that have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

As of December 31, 2014, we had Private Loan portfolio investments in 31 companies, collectively totaling approximately \$213.0 million in fair value with a total cost basis of approximately \$224.0 million. The weighted average EBITDA for the 31 Private Loan portfolio companies was approximately \$18.1 million as of December 31, 2014. As of December 31, 2014, approximately 96% of our Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 10.1% as of December 31, 2014. As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio companies was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, approximately 95% of our Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2014, we had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of our Investment Portfolio (as defined in "Investment Portfolio" below) at fair value as of December 31, 2014. As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised approximately 3.3% of our Investment Portfolio at fair value as of December 31, 2013.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of our Investment Portfolio at fair value. As of December 31, 2013, there was no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio at fair value.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). An investor's return in MSCC will depend, in part, on the Funds' investment returns as they are wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment

Table of Contents

income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation on our investments will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

Because we are internally managed, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% compared to 1.7% for the year ended December 31, 2013 (with the 2013 ratio excluding interest expense and excluding the effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice-Chairman, which resulted in additional share-based compensation expense of \$1.3 million during 2013). Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended December 31, 2013 was 1.8%.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source of income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. We and the External Investment Manager agreed to waive all such fees from the effective date of HMS Income's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither we nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager has not waived the base management fees or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014. During the year ended December 31, 2014, the External Investment Manager earned \$2.8 million of base management fees under the sub-advisory agreement with HMS Adviser.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income.

Table of Contents

**Recent Developments**

On November 13, 2014, our Board of Directors elected Brent D. Smith to Chief Financial Officer and Treasurer. Mr. Smith, age 39, had previously served as our Senior Vice President Finance since August 2014. Previously he served as the Executive Vice-President, Chief Financial Officer and Treasurer of Cal Dive International, Inc. from 2010 through June 2014 and in various finance and accounting roles at Cal Dive from 2005 through 2010. On March 3, 2015, Cal Dive and certain of its subsidiaries, excluding its foreign subsidiaries, filed for voluntary protection under Chapter 11 of the Bankruptcy Code. Prior to joining Cal Dive, Mr. Smith was a manager with FTI Consulting (NYSE: FCN). Prior to that, Mr. Smith was employed as a senior auditor at Arthur Andersen LLP.

In January 2015, we led a new portfolio investment totaling \$45.0 million of invested capital in Volusion, LLC ("Volusion"), with Main Street funding \$31.5 million of the investment. The proceeds of the investment were used to provide capital to fund Volusion's near-term growth opportunities. Our investment in Volusion included a combination of first-lien, senior secured term debt with equity warrant participation and a direct equity investment. In addition, we and our co-investor are providing Volusion a commitment for up to \$10.0 million of additional capital to support its future growth opportunities. Headquartered in Austin, Texas, and founded in 1999, Volusion provides an online software-as-a-service solution for its customers' e-Commerce stores and activities.

In January 2015, we participated in a new portfolio investment totaling \$24.0 million of invested capital in Berry Aviation, Inc. ("Berry"), with our portion of the funding being \$6.4 million, and including \$6.0 million of secured subordinated term debt and a \$0.4 million equity investment for a minority equity ownership position in Berry. We partnered with our co-investors to facilitate a minority recapitalization of Berry and to support its growth initiatives. Headquartered in San Marcos, Texas, Berry is a full service aviation business that provides air carrier and concierge services to both private sector and public clients, including the United States Department of Defense ("U.S. DOD") and other governmental agencies.

During February 2015, we declared regular monthly dividends of \$0.175 per share for each of April, May and June 2015. These regular monthly dividends equal a total of \$0.525 per share for the second quarter of 2015. The second quarter 2015 regular monthly dividends represent a 6.1% increase from the dividends declared for the second quarter of 2014. Including the dividends declared for the second quarter of 2015, we will have paid \$14.27 per share in cumulative dividends since our October 2007 initial public offering.

**Business Strategies**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and realizing capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We have adopted the following business strategies to achieve our investment objective:

*Deliver Customized Financing Solutions in the Lower Middle Market.* We offer LMM portfolio companies customized debt and equity financing solutions that are tailored to the facts and circumstances of each situation. We believe our ability to provide a broad range of customized financing solutions to LMM companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. Our ability to invest across a company's capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer LMM portfolio companies a comprehensive suite of financing options, or a "one-stop" financing solution.

Table of Contents

*Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. We believe that those companies generally possess better risk-adjusted return profiles than newer companies that are building their management teams or are in the early stages of building a revenue base. We also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.

*Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include five certified public accountants and five Chartered Financial Analyst® (CFA) charter holders. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional or complex structures for our portfolio companies. Also, the reputation of our investment team has and should continue to enable us to generate additional revenue in the form of management and incentive fees in connection with us providing advisory services to other investment funds.

*Invest Across Multiple Companies, Industries, Regions and End Markets.* We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets. This portfolio balance is intended to mitigate the potential effects of negative economic events for particular companies, regions, industries and end markets.

*Capitalize on Strong Transaction Sourcing Network.* Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments. We have developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created a growing stream of proprietary deal flow for us.

*Benefit from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments. We also maintain an investment grade rating from Standard & Poor's Ratings Services which provides us the opportunity and flexibility to obtain additional, attractive long-term financing options to supplement our capital structure.

**Investment Criteria**

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments:

*Proven Management Team with Meaningful Equity Stake.* We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests. We believe management teams with these attributes are more likely to manage the companies in a manner that both protects our debt investment and enhances the value of our equity investment.

Table of Contents

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance. We typically focus on LMM companies that have historically generated EBITDA of \$3 million to \$20 million and commensurate levels of free cash flow. We also pursue investments in debt securities of Middle Market companies that are generally established companies with sound historical financial performance that are generally larger in size than LMM companies. We generally do not invest in start-up companies or companies with speculative business plans.

*Defensible Competitive Advantages/Favorable Industry Position.* We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help to protect their market position and profitability.

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or a refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

**Investment Portfolio**

The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager. For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see further discussion above) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market and Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

***Debt Investments***

Historically, we have made LMM debt investments principally in the form of single tranche debt. Single tranche debt financing involves issuing one debt security that blends the risk and return profiles of both first lien secured and subordinated debt. We believe that single tranche debt is more appropriate for many LMM companies given their size in order to reduce structural complexity and potential conflicts among creditors.

Table of Contents

Our LMM debt investments generally have a term of five to seven years from the original investment date, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates generally between 10% and 14% per annum, payable currently in cash. In some instances, we have provided floating interest rates for our single tranche debt securities. In addition, certain LMM debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this form of interest as payment-in-kind, or PIK, interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first priority lien on substantially all the assets of the portfolio company. As of December 31, 2014, approximately 90% of our LMM debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies.

In addition to seeking a senior lien position in the capital structure of our LMM portfolio companies, we seek to limit the downside potential of our LMM debt investments by negotiating covenants that are designed to protect our LMM debt investments while affording our portfolio companies as much flexibility in managing their businesses as is reasonable. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control or change of management provisions, key-man life insurance, guarantees, equity pledges, personal guaranties, where appropriate, and put rights. In addition, we typically seek board representation or observation rights in all of our LMM portfolio companies.

While we will continue to focus our LMM debt investments primarily on single tranche debt investments, we also anticipate structuring some of our debt investments as mezzanine loans. We anticipate that these mezzanine loans will be primarily junior secured or unsecured, subordinated loans that provide for relatively high fixed interest rates payable currently in cash that will provide us with significant interest income plus the additional opportunity for income and gains through PIK interest and equity warrants and other similar equity instruments issued in conjunction with these mezzanine loans. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loan term. Typically, our mezzanine loans will have maturities of three to five years. We will generally target fixed interest rates of 12% to 14%, payable currently in cash for our mezzanine loan investments with higher targeted total returns from equity warrants or PIK interest.

We also pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date. The debt investments in our Middle Market portfolio have rights and protections that are similar to those in our LMM debt investments, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions, guarantees and equity pledges. The Middle Market debt investments generally have floating interest rates at LIBOR plus a margin, and are typically subject to LIBOR floors. As of December 31, 2014, substantially all of our Middle Market portfolio investments were in the form of debt investments, with approximately 97% of these debt investments at cost secured by portfolio company assets and approximately 85% of such debt investments at cost secured by first priority liens.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt

Table of Contents

investments are generally secured by either a first or second priority lien and typically have a term of between three and seven years from the original investment date. As of December 31, 2014, approximately 96% of our Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets.

***Warrants***

In connection with a portion of our LMM debt investments, we have historically received equity warrants to establish or increase our equity interest in the LMM portfolio company. Warrants we receive in connection with a LMM debt investment typically require only a nominal cost to exercise, and thus, as a LMM portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We typically structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as secured or unsecured put rights, or rights to sell such securities back to the LMM portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

***Direct Equity Investments***

We also will seek to make direct equity investments in situations where it is appropriate to align our interests with key management and stockholders of our LMM portfolio companies, and to allow for participation in the appreciation in the equity values of our LMM portfolio companies. We usually make our direct equity investments in connection with debt investments. In addition, we may have both equity warrants and direct equity positions in some of our LMM portfolio companies. We seek to maintain fully diluted equity positions in our LMM portfolio companies of 5% to 50%, and may have controlling equity interests in some instances. We have a value orientation toward our direct equity investments and have traditionally been able to purchase our equity investments at reasonable valuations.

**Investment Process**

Our investment committee is responsible for all aspects of our LMM investment process. The current members of our investment committee are Vincent D. Foster, our Chairman, President and Chief Executive Officer, Dwayne L. Hyzak, our Chief Operating Officer and Senior Managing Director, Curtis L. Hartman, our Chief Credit Officer and Senior Managing Director, and David Magdol, our Chief Investment Officer and Senior Managing Director.

Our credit committee is responsible for all aspects of our Middle Market portfolio investment process. The current members of our credit committee are Messrs. Foster, Hartman and Rodger A. Stout, our Executive Vice President.

Investment process responsibility for each Private Loan portfolio investment is delegated to either the investment committee or the credit committee based upon the nature of the investment and the manner in which it was originated. Similarly, the investment processes for each Private Loan portfolio investment, from origination to close and to eventual exit, will follow the processes for our LMM portfolio investments or our Middle Market portfolio investments as outlined below, or a combination thereof.

Our investment strategy involves a "team" approach, whereby potential transactions are screened by several members of our investment team before being presented to the investment committee or the credit committee, as applicable. Our investment committee and credit committee each meet on an as needed basis depending on transaction volume. We generally categorize our investment process into seven distinct stages:

Table of Contents

***Deal Generation/Origination***

Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, service providers such as lawyers, financial advisors, accountants and current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and Middle Market companies, and we have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in these markets.

***Screening***

During the screening process, if a transaction initially meets our investment criteria, we will perform preliminary due diligence, taking into consideration some or all of the following information:

a comprehensive financial model based on quantitative analysis of historical financial performance, projections and pro forma adjustments to determine the estimated internal rate of return;

a brief industry and market analysis;

direct industry expertise imported from other portfolio companies or investors;

preliminary qualitative analysis of the management team's competencies and backgrounds;

potential investment structures and pricing terms; and

regulatory compliance.

Upon successful screening of a proposed LMM transaction, the investment team makes a recommendation to our investment committee. If our investment committee concurs with moving forward on the proposed LMM transaction, we typically issue a non-binding term sheet to the company. For Middle Market portfolio investments, the initial term sheet is typically issued by the borrower, through the syndicating bank, and is screened by the investment team which makes a recommendation to our credit committee.

***Term Sheet***

For proposed LMM transactions, the non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process as well as a proposed timeline and our qualitative expectation for the transaction. While the term sheet for LMM investments is non-binding, we typically receive an expense deposit in order to move the transaction to the due diligence phase. Upon execution of a term sheet, we begin our formal due diligence process.

For proposed Middle Market transactions, the initial term sheet will include key economic terms and other conditions proposed by the borrower and its representatives and the proposed timeline for the investment, which are reviewed by our investment team to determine if such terms and conditions are in agreement with our investment objectives.

***Due Diligence***

Due diligence on a proposed LMM investment is performed by a minimum of two of our investment professionals, whom we refer to collectively as the investment team, and certain external resources, who together conduct due diligence to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Our LMM due diligence review includes some or all of the following:

site visits with management and key personnel;





Table of Contents

detailed review of historical and projected financial statements;

operational reviews and analysis;

interviews with customers and suppliers;

detailed evaluation of company management, including background checks;

review of material contracts;

in-depth industry, market and strategy analysis;

regulatory compliance analysis; and

review by legal, environmental or other consultants, if applicable.

Due diligence on a proposed Middle Market investment is generally performed on materials and information obtained from certain external resources and assessed internally by a minimum of two of our investment professionals, who work to understand the relationships among the prospective portfolio company's business plan, operations and financial performance using the accumulated due diligence information. Our Middle Market due diligence review includes some or all of the following:

detailed review of historical and projected financial statements;

in-depth industry, market, operational and strategy analysis;

regulatory compliance analysis; and

detailed review of the company's management team and their capabilities.

During the due diligence process, significant attention is given to sensitivity analyses and how the company might be expected to perform given downside, base-case and upside scenarios. In certain cases, we may decide not to make an investment based on the results of the diligence process.

***Document and Close***

Upon completion of a satisfactory due diligence review of a proposed LMM portfolio investment, the investment team presents the findings and a recommendation to our investment committee. The presentation contains information which can include, but is not limited to, the following:

company history and overview;

## Edgar Filing: Main Street Capital CORP - Form 497

transaction overview, history and rationale, including an analysis of transaction strengths and risks;

analysis of key customers and suppliers and key contracts;

a working capital analysis;

an analysis of the company's business strategy;

a management and key equity investor background check and assessment;

third-party accounting, legal, environmental or other due diligence findings;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections;

S-65

---

Table of Contents

regulatory compliance analysis findings; and

detailed reconciliations of historical to pro forma results.

Upon completion of a satisfactory due diligence review of a proposed Middle Market portfolio investment, the investment team presents the findings and a recommendation to our credit committee. The presentation contains information which can include, but is not limited to, the following:

company history and overview;

transaction overview, history and rationale, including an analysis of transaction strengths and risks;

analysis of key customers and suppliers;

an analysis of the company's business strategy;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

regulatory compliance analysis findings; and

an analysis of historical financial results and key financial ratios.

If any adjustments to the transaction terms or structures are proposed by the investment committee or credit committee, as applicable, such changes are made and applicable analyses are updated prior to approval of the transaction. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee or credit committee, as applicable, with the committee member managing the transaction, if any, abstaining from the vote. Upon receipt of transaction approval, we will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

***Post-Investment***

We continuously monitor the status and progress of the portfolio companies. We generally offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same investment team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process of LMM portfolio investments, the investment team will analyze monthly and quarterly financial statements versus the previous periods and year, review financial projections, meet and discuss issues or opportunities with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our LMM portfolio companies, we maintain a higher level of involvement in non-ordinary course financing or strategic activities and any non-performing scenarios. We also monitor the performance of our Middle Market portfolio investments; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to our LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

## Edgar Filing: Main Street Capital CORP - Form 497

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including, but not limited to, each investment's expected level of returns

S-66

---

Table of Contents

and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook.

*Investment Rating 1* represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations;

*Investment Rating 2* represents a LMM portfolio company that, in general, is performing above expectations;

*Investment Rating 3* represents a LMM portfolio company that is generally performing in accordance with expectations;

*Investment Rating 4* represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us; and

*Investment Rating 5* represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new LMM portfolio investments receive an initial 3 rating.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of December 31, 2014 and 2013:

Investment Rating	As of December 31, 2014		As of December 31, 2013	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(in thousands, except percentages)			
1	\$ 287,693	39.2%	\$ 242,013	36.7%
2	133,266	18.2%	116,908	17.7%
3	239,100	32.6%	239,843	36.4%
4	61,475	8.4%	60,641	9.2%
5	11,657	1.6%		0.0%
Total	\$ 733,191	100.0%	\$ 659,405	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio as of December 31, 2014 and 2013 was approximately 2.2 and 2.2, respectively.

As of December 31, 2014, our total Investment Portfolio had five investments with positive fair value on non-accrual status, which comprised approximately 1.7% of its fair value and 4.7% of its cost, and no fully impaired investments. As of December 31, 2013, our total Investment Portfolio had two investments with positive fair value on non-accrual status, which comprised approximately 2.3% of its fair value and 4.7% of its cost, and no fully impaired investments.

***Exit Strategies/Refinancing***

While we generally exit most investments through the refinancing or repayment of our debt and redemption of our equity positions, we typically assist our LMM portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy. The refinancing or repayment of Middle Market debt investments typically does not require our assistance due to the additional resources available to these larger, Middle Market companies.



Table of Contents

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

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

We are required to report our investments at fair value. As a result, the most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2014 and 2013, our Investment Portfolio valued at fair value represented approximately 92% and 95% of our total assets, respectively. We follow 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 us 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.

Our portfolio strategy calls for us to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We categorize some of our investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities issued by companies that are consistent in size with either the LMM companies or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio. Our portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Our portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policies and processes are intended to provide a consistent basis for determining the fair value of our Investment Portfolio.

For LMM portfolio investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process by using an enterprise value waterfall methodology ("Waterfall") for our LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for our LMM debt investments. For Middle Market portfolio investments, we primarily use quoted prices in the valuation process. We determine the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. For Middle Market and Private Loan portfolio investments in debt securities for which we have determined that third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the



Table of Contents

assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For our Other Portfolio equity investments, we generally calculate the fair value of the investment primarily based on the net asset value ("NAV") of the fund. All of the valuation approaches for our portfolio investments estimate the value of the investment as if we were to sell, or exit, the investment as of the measurement date.

These valuation approaches consider the value associated with our ability to control the capital structure of the portfolio company, as well as the timing of a potential exit. For valuation purposes, "control" portfolio investments are composed of debt and equity securities in companies for which we have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. For valuation purposes, "non-control" portfolio investments are generally composed of debt and equity securities in companies for which we do not have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors.

Under the Waterfall valuation method, we estimate the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then perform a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. 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 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, we analyze various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in our determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, we allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, we assume the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which we believe is consistent with our past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, we use the income approach to determine the fair value of debt securities, based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts 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. Our estimate of the expected repayment date of our debt securities is generally the legal maturity date of the instrument, as we generally intend to hold our loans and debt securities to maturity. The Yield-to-Maturity analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the Yield-to-Maturity analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the fair value will not exceed the principal amount of the debt security valued using the Yield-to-Maturity valuation method. A change in the assumptions that we use to estimate the fair value of our debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, we may consider other factors in determining the fair

Table of Contents

value of the 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.

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, we may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of our investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of our interests in the investment fund.

Pursuant to our internal valuation process and the requirements under the 1940 Act, we perform valuation procedures on our investments in each LMM portfolio company quarterly. In addition to our internal valuation process, in determining the estimates of fair value for our investments in LMM portfolio companies, we, among other things, consult with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm is generally consulted relative to our investments in each LMM portfolio company at least once in every calendar year, and for our investments in new LMM portfolio companies, at least once in the twelve month period subsequent to the initial investment. In certain instances, we may determine that it is not cost effective, and as a result is not in our stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on our investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of our investment in a LMM portfolio company is determined to be insignificant relative to the total Investment Portfolio. We consulted with our independent financial advisory services firm in arriving at our determination of fair value on our investments in a total of 52 LMM portfolio companies for the year ended December 31, 2014, representing approximately 83% of the total LMM portfolio at fair value as of December 31, 2014, and on a total of 50 LMM portfolio companies for the year ended December 31, 2013, representing approximately 76% of the total LMM portfolio at fair value as of December 31, 2013. Excluding our investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of December 31, 2014 and 2013, as applicable, and our investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed by our independent financial advisory services firm for the year ended December 31, 2014 and 2013 was 99% and 100% of the total LMM portfolio at fair value as of December 31, 2014 and 2013, respectively.

For valuation purposes, all of our Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, we use observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing. For Middle Market portfolio investments for which we have determined that third party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method.

For valuation purposes, all of our Private Loan portfolio investments are non-control investments. For Private Loan portfolio investments for which we have determined that third party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Private Loan debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Private Loan equity investments in a current hypothetical sale using the Waterfall valuation method.

Table of Contents

For valuation purposes, all of our Other Portfolio investments are non-control investments. Our Other Portfolio investments comprised approximately 3.8% and 3.3%, respectively, of our Investment Portfolio at fair value as of December 31, 2014 and 2013. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we generally determine the fair value of our investments using the NAV valuation method. For Other Portfolio debt investments, we generally determine the fair value of these investments through obtaining third party quotes or other independent pricing to the extent that these inputs are available and appropriate to determine fair value. For Other Portfolio debt investments for which we have determined that third party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method.

For valuation purposes, our investment in the External Investment Manager is a control investment. Market quotations are not readily available for this investment, and as a result, we determine the fair value of the External Investment Manager using the Waterfall valuation method under the market approach. In estimating the enterprise value, we analyze various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market multiples. This valuation approach estimates the value of the investment as if we were to sell, or exit, the investment. In addition, we consider the value associated with our ability to control the capital structure of the company, as well as the timing of a potential exit.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio may differ materially from the values that would have been determined 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. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

As described below, we undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements.

Our quarterly valuation process begins with each LMM and Private Loan portfolio company investment being initially valued by the investment team responsible for monitoring the portfolio investment;

The fair value determination for our Middle Market and Other Portfolio debt and equity investments and our investment in the External Investment Manager consists of unobservable and observable inputs which are initially reviewed by the investment professionals responsible for monitoring the portfolio investment;

Preliminary valuation conclusions are then reviewed by and discussed with senior management, and the investment team considers and assesses, as appropriate, any changes that may be required to the preliminary valuations to address any comments provided by senior management;

As described above, a nationally recognized independent financial advisory services firm performs certain mutually agreed upon limited procedures on a selection of management's LMM portfolio company valuation conclusions;

The Audit Committee of our Board of Directors reviews management's valuations, and the investment team and senior management consider and assess, as appropriate, any changes that

Table of Contents

may be required to management's valuations to address any comments provided by the Audit Committee; and

The Board of Directors assesses the valuations and ultimately approves the fair value of each investment in our portfolio in good faith.

Determination of fair value involves subjective judgments and estimates. The notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial results and financial condition.

**Competition**

We compete for investments with a number of investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of the entities that compete with us are larger and have more resources available to them. We believe we are able to be competitive with these entities primarily on the basis of our focus toward the underserved LMM, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

We believe that some of our competitors make senior secured loans, junior secured loans and subordinated debt investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete primarily on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors Risks Related to Our Business and Structure We may face increasing competition for investment opportunities" in the accompanying prospectus.

**Employees**

As of December 31, 2014, we had 38 employees. These employees include investment and portfolio management professionals, operations professionals and administrative staff. As necessary, we will hire additional investment professionals and administrative personnel. All of our employees are located in our Houston, Texas office.

**Properties**

We do not own any real estate or other physical properties materially important to our operations. Currently, we lease office space in Houston, Texas for our corporate headquarters.

**Legal Proceedings**

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, we do not expect any current matters will materially affect our financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on our financial condition or results of operations in any future reporting period.

Table of Contents

**DIVIDEND REINVESTMENT PLAN**

We have adopted a dividend reinvestment plan that provides for the reinvestment of dividends on behalf of our registered stockholders who hold their shares with American Stock Transfer and Trust Company, the plan administrator and our transfer agent and registrar, or certain brokerage firms that have elected to participate in our dividend reinvestment plan, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our registered stockholders (or stockholders holding shares through participating brokerage firms) who have not "opted out" of our dividend reinvestment plan by the dividend record date will have their cash dividend automatically reinvested into additional shares of our common stock.

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

The share requirements of our dividend reinvestment plan may be satisfied through the issuance of new shares of common stock or through open market purchases of common stock by the plan administrator. Newly-issued shares will be valued based upon the final closing price of our common stock on a valuation date determined for each dividend by our Board of Directors. Shares purchased in the open market to satisfy the dividend reinvestment plan requirements will be valued based upon the average price of the applicable shares purchased by the plan administrator, before any associated brokerage or other costs.

There will be no brokerage charges or other charges for dividend reinvestment to stockholders who participate in the plan. We will pay the plan administrator's fees under the plan.

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

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at [www.amstock.com](http://www.amstock.com), by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at 59 Maiden Lane New York, New York 10038 or by calling the plan administrators at (212) 936-5100.

We may terminate the plan upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at 59 Maiden Lane New York, New York 10038 or by telephone at (212) 936-5100.

Table of Contents

**CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

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

If we issue preferred stock that may be convertible into or exercisable or exchangeable for securities or other property or preferred stock with other terms that may have different U.S. federal income tax consequences than those described in this summary, the U.S. federal income tax consequences of such preferred stock will be described in the relevant prospectus supplement. This summary does not discuss the consequences of an investment in our subscription rights, debt securities or warrants representing rights to purchase shares of our preferred stock, common stock or debt securities or as units in combination with such securities. The U.S. federal income tax consequences of such an investment will be discussed in the relevant prospectus supplement.

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

A citizen or individual resident of the United States;

A corporation or other entity treated as a corporation, for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

A trust if a court within the United States is asked to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantive decisions of the trust; or

A trust or an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

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

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

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisers regarding the specific consequences of such an investment, including tax

Table of Contents

reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

For any taxable year in which we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our income or capital gains we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to our stockholders.

**Election to be Taxed as a Regulated Investment Company**

MSCC has elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code (the "Code"). MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any income that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, and 90% of our tax exempt income (the "Annual Distribution Requirement").

**Taxation as a Regulated Investment Company**

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year as such dividends may include the distribution of current year taxable income, exclude amounts carried over into the following year, and include the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay the 4% U.S. federal excise tax based on 98% of our annual taxable income and 98.2% of our capital gain net income in excess of distributions for the year.

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

continue to qualify as a BDC under the 1940 Act at all times during each taxable year;

derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain "qualified publicly traded partnerships," or other income derived with respect to our business of investing in such stock or securities (the "90% Income Test"); and

diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and

no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more

Table of Contents

issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain "qualified publicly traded partnerships" (collectively, the "Diversification Tests").

In order to comply with the 90% Income Test, we formed the Taxable Subsidiaries as wholly owned taxable subsidiaries, for the primary purpose of permitting us to own equity interests in portfolio companies which are "pass through" entities for tax purposes. Absent the taxable status of the Taxable Subsidiaries, a portion of the gross income from such portfolio companies would flow directly to us for purposes of the 90% Income Test. To the extent such income did not consist of income derived from securities, such as dividends and interest, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant U.S. federal income taxes. The Taxable Subsidiaries are consolidated with Main Street for generally accepted accounting principles in the United States of America ("U.S. GAAP") purposes and are included in our Consolidated Financial Statements, and the portfolio investments held by the Taxable Subsidiaries are included in our consolidated financial statements. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, as a result of their ownership of the portfolio investments. The income tax expense, or benefit, if any, and any related tax assets and liabilities, are reflected in our consolidated financial statements.

In order to comply with the 90% Income Test, we also elected that each of the Investment Managers is a taxable entity. Absent the taxable status of the Investment Managers, the gross income from the Investment Managers would flow directly to us for purposes of the 90% Income Test. Since such income would likely not consist of income derived from securities, such as dividends and interest, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant U.S. federal income taxes. Beginning April 1, 2013, the Internal Investment Manager is consolidated with Main Street for U.S. GAAP purposes and included in our Consolidated Financial Statements and any income tax expense, or benefit, and any related tax assets and liabilities of the Internal Investment Manager are reflected in our consolidated financial statements, while the External Investment Manager is accounted for as a portfolio investment for U.S. GAAP purposes. The Investment Managers are not consolidated with MSCC for income tax purposes and may generate income tax expense, or benefit, as a result of their operating activities.

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

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



Table of Contents

Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as (i) ordinary income (including any qualified dividend income that, in the case of a noncorporate stockholder, may be eligible for the same reduced maximum tax rate applicable to long-term capital gains to the extent such distribution is properly reported by us as qualified dividend income and such stockholder satisfies certain minimum holding period requirements with respect to our stock) or (ii) long-term capital gain (to the extent such distribution is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

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

**Taxation of U.S. Stockholders**

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions ("Qualifying Dividends") may be eligible for a maximum tax rate of 20.0% (plus the 3.8% Medicare surtax discussed below, if applicable). In this regard, it is anticipated that distributions paid by us will generally not be attributable to dividends and, therefore, generally will not qualify for the 20.0% (plus the 3.8% Medicare surtax, if applicable) maximum rate applicable to Qualifying Dividends. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains that are currently taxable at a maximum rate of 20.0% (plus the 3.8% Medicare surtax, if applicable) in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

Table of Contents

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

In any fiscal year, we may elect to make distributions to our stockholders in excess of our taxable earnings for that fiscal year. As a result, a portion of those distributions may be deemed a return of capital to our stockholders.

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

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

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

In general, individual U.S. stockholders currently are subject to a maximum U.S. federal income tax rate of 20.0% on their net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, individuals with income in excess of \$200,000 (\$250,000 in the case of married

Table of Contents

individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% Medicare surtax on their "net investment income," which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35.0% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

We, or the applicable withholding agent, will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the Internal Revenue Service (including the amount of dividends, if any, eligible for the 20.0% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

As a RIC, we will be subject to the alternative minimum tax ("AMT"), but any items that are treated differently for AMT purposes must be apportioned between us and our stockholders and this may affect the stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued by the Internal Revenue Service, we intend in general to apportion these items in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless we determine that a different method for a particular item is warranted under the circumstances.

We may be required to withhold U.S. federal income tax ("backup withholding") from all taxable distributions to any U.S. stockholder that is not otherwise exempt (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability, provided that proper information is provided to the IRS.

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

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

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

Table of Contents

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

For taxable years prior to January 1, 2015, except as provided below, we generally were not required to withhold any amounts with respect to certain distributions of (i) U.S.-source interest income, and (ii) net short-term capital gains in excess of net long-term capital losses, in each case to the extent we properly reported such distributions and certain other requirements were satisfied. This special exemption from withholding tax on certain distributions expired on January 1, 2015. No assurance can be given as to whether this exemption will be extended for taxable years beginning on or after January 1, 2015, or whether any of our distributions would be reported as eligible for this special exemption from withholding tax even if extended. Currently, we do not anticipate that any significant amount of our distributions would be reported as eligible for this exemption from withholding.

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

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

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

The Foreign Account Tax Compliance Act generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends paid after December 31, 2016. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a Non-U.S. stockholder and the status of the

Table of Contents

intermediaries through which they hold their units, Non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their units and proceeds from the sale of their units. Under certain circumstances, a Non-U.S. stockholder might be eligible for refunds or credits of such taxes.

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

**Failure to Qualify as a RIC**

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. If we were subject to tax on all of our taxable income at regular corporate rates, then distributions we make after being subject to such tax would be taxable to our stockholders and, provided certain holding period and other requirements were met, could qualify for treatment as "qualified dividend income" eligible for the maximum 20% rate (plus a 3.8% Medicare surtax, if applicable) applicable to qualified dividends to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

Table of Contents**UNDERWRITING**

Under the terms and subject to the conditions contained in a purchase agreement dated March , 2015, the underwriters named below, for whom Raymond James & Associates, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

<b>Underwriter</b>	<b>Number of Shares</b>
Raymond James & Associates, Inc.	
Robert W. Baird & Co. Incorporated	
RBC Capital Markets, LLC	
Sanders Morris Harris Inc.	
<b>Total</b>	

The purchase agreement provides that the obligations of the underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are severally obligated to take and pay for all shares of common stock offered hereby (other than those covered by the underwriters' option to purchase additional shares described below) if any such shares are taken. The offering of the common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part. We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN."

The underwriters are purchasing the shares of common stock from us at \$ per share (representing approximately \$ million aggregate proceeds to us, before we deduct our aggregate out-of-pocket expenses of approximately \$ million, or approximately \$ million if the underwriters' option to purchase additional shares described below is exercised in full). The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. In connection with the sale of the shares of common stock offered hereby, the underwriters may be deemed to have received compensation in the form of underwriting discounts. The underwriters may effect such transactions by selling shares of common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal.

**Option to Purchase Additional Shares**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of additional shares of common stock at the price set forth on the cover page of this prospectus supplement. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

Table of Contents

**Lock-Up Agreements**

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 30 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

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

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

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

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

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the common stock or preventing or slowing a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. Except for the sale of shares of our common stock in this offering, the underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

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

**Selling Restrictions**

*European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer of shares may not be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified

Table of Contents

investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative of the several underwriters; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of our common stock shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of our common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The sellers of shares of our common stock have not authorized and do not authorize the making of any offer of shares of our common stock through any financial intermediary, other than offers made by the underwriters with a view to underwriting the shares of our common stock as contemplated in this prospectus supplement and the accompanying prospectus. Accordingly, no purchaser of shares of our common stock, other than the underwriters, is authorized to make any further offer of shares of our common stock on behalf of the sellers or the underwriters.

***United Kingdom***

Each underwriter has represented and agreed that:

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the shares of common stock in, from or otherwise involving the United Kingdom; and
- (b) it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue and sale of such shares of common stock in circumstances in which Section 21(1) of the FSMA does not apply to us.

***Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

***Hong Kong***

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance



Table of Contents

(Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

*Singapore*

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust will not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

**Conflicts of Interest**

Affiliates of Raymond James & Associates, Inc. and RBC Capital Markets, LLC, underwriters in this offering, act as lenders and/or agents under our Credit Facility. Certain of the net proceeds from the sale of our common stock, not including underwriting compensation, may be paid to such affiliates of Raymond James & Associates, Inc. and RBC Capital Markets, LLC in connection with the repayment of debt owed under our Credit Facility. As a result, Raymond James & Associates, Inc. and RBC Capital Markets, LLC and/or their affiliates may receive more than 5% of the net proceeds of this offering, not including underwriting compensation.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The underwriters and/or their affiliates from time to time provide and may in the future provide investment banking, commercial banking and financial advisory services to us, for which they have received and may receive customary compensation.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and

Table of Contents

actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to our assets, securities and/or instruments (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with us. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. In addition, the underwriters and/or their affiliates may from time to time refer investment banking clients to us as potential portfolio investments. If we invest in those clients, we may utilize net proceeds from this offering to fund such investments, and the referring underwriter or its affiliate may receive placement fees from its client in connection with such financing, which placement fees may be paid out of the amount funded by us.

The addresses of the underwriters are: Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716; Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; RBC Capital Markets, LLC, 3 World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281; and Sanders Morris Harris Inc., 600 Travis, Suite 5800, Houston, Texas 77002.

**LEGAL MATTERS**

Certain legal matters regarding the shares of common stock offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington D.C., and certain legal matters in connection with this offering will be passed upon for the underwriters by Morrison & Foerster LLP, Washington D.C.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements, financial highlights, Schedule 12-14 and the schedule of Senior Securities of Main Street Capital Corporation, included in this prospectus supplement and the accompanying prospectus have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in giving said reports. Grant Thornton LLP's principal business address is 175 W. Jackson Blvd., 20th Floor, Chicago, Illinois 60604.

**AVAILABLE INFORMATION**

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

We file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800- SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Table of Contents

**AUDITED FINANCIAL STATEMENTS**  
**Index to Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	<u>S-88</u>
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	<u>S-89</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>S-90</u>
<u>Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>S-91</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>S-92</u>
<u>Consolidated Schedules of Investments as of December 31, 2014 and 2013</u>	<u>S-93</u>
<u>Notes to Consolidated Financial Statements</u>	<u>S-141</u>

S-87

---

Table of Contents

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

We have audited the accompanying consolidated balance sheets of Main Street Capital Corporation (a Maryland corporation) and subsidiaries ("the Company"), including the consolidated schedule of investments, as of December 31, 2014 and 2013 and the related consolidated statements of operations, changes in net assets and cash flows for each of three years in the period ended December 31, 2014 and the financial highlights (see Note I) for each of the five years in the period ended December 31, 2014. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included verification by confirmation of securities as of December 31, 2014 and 2013, by correspondence with the portfolio companies and custodians, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Main Street Capital Corporation and subsidiaries as of December 31, 2014 and 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, and the financial highlights for each of the five years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 (not separately included herein), expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 27, 2015

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(in thousands, except shares and per share amounts)**

	December 31, 2014	December 31, 2013
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$342,847 and \$277,411 as of December 31, 2014 and December 31, 2013, respectively)	\$ 469,846	\$ 356,973
Affiliate investments (cost: \$266,243 and \$242,592 as of December 31, 2014 and December 31, 2013, respectively)	278,675	268,113
Non-Control/Non-Affiliate investments (cost: \$832,312 and \$643,068 as of December 31, 2014 and December 31, 2013, respectively)	814,809	661,102
Total portfolio investments (cost: \$1,441,402 and \$1,163,071 as of December 31, 2014 and December 31, 2013, respectively)	1,563,330	1,286,188
Marketable securities and idle funds investments (cost: \$10,604 and \$14,885 as of December 31, 2014 and December 31, 2013, respectively)	9,067	13,301
Total investments (cost: \$1,452,006 and \$1,177,956 as of December 31, 2014 and December 31, 2013, respectively)	1,572,397	1,299,489
Cash and cash equivalents	60,432	34,701
Interest receivable and other assets	23,273	16,054
Receivable for securities sold	23,133	
Deferred financing costs (net of accumulated amortization of \$6,462 and \$4,722 as of December 31, 2014 and December 31, 2013, respectively)	14,550	9,931
Total assets	\$ 1,693,785	\$ 1,360,175

**LIABILITIES**

Credit facility	\$ 218,000	\$ 237,000
	222,781	187,050

Edgar Filing: Main Street Capital CORP - Form 497

SBIC debentures (par: \$225,000 as of December 31, 2014 and \$200,200 as of December 31, 2013, par of \$75,200 is recorded at a fair value of \$72,981 and \$62,050 as of December 31, 2014 and December 31, 2013, respectively)

4.50% Notes	175,000	
6.125% Notes	90,823	90,882
Payable for securities purchased	14,773	27,088
Deferred tax liability, net	9,214	5,940
Dividend payable	7,663	6,577
Accounts payable and other liabilities	10,701	10,549
Interest payable	4,848	2,556
Total liabilities	753,803	567,642
Commitments and contingencies (Note N)		

**NET ASSETS**

Common stock, \$0.01 par value per share (150,000,000 shares authorized; 45,079,150 and 39,852,604 shares issued and outstanding as of December 31, 2014 and December 31, 2013, respectively)	451	398
Additional paid-in capital	853,606	694,981
Accumulated net investment income, net of cumulative dividends of \$293,789 and \$199,140 as of December 31, 2014 and December 31, 2013, respectively	23,665	22,778
Accumulated net realized gain from investments (accumulated net realized gain from investments of \$40,321 before cumulative dividends of \$60,777 as of December 31, 2014 and accumulated net realized gain from investments of \$17,115 before cumulative dividends of \$43,449 as of December 31, 2013)	(20,456)	(26,334)
Net unrealized appreciation, net of income taxes	82,716	100,710
Total net assets	939,982	792,533
Total liabilities and net assets	\$ 1,693,785	\$ 1,360,175

**NET ASSET VALUE PER SHARE**

\$ 20.85 \$ 19.89

Edgar Filing: Main Street Capital CORP - Form 497

The accompanying notes are an integral part of these financial statements

S-89

---

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations****(in thousands, except per share amounts)**

	<b>Twelve Months Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>INVESTMENT INCOME:</b>			
Interest, fee and dividend income:			
Control investments	\$ 40,122	\$ 34,502	\$ 24,752
Affiliate investments	26,151	23,573	20,340
Non-Control/Non-Affiliate investments	73,666	57,083	43,766
Interest, fee and dividend income	139,939	115,158	88,858
Interest, fee and dividend income from marketable securities and idle funds	824	1,339	1,662
Total investment income	140,763	116,497	90,520
<b>EXPENSES:</b>			
Interest	(23,589)	(20,238)	(15,631)
Compensation	(12,337)	(8,560)	
General and administrative	(7,134)	(4,877)	(2,330)
Share-based compensation	(4,215)	(4,210)	(2,565)
Expenses charged to the External Investment Manager	2,048		
Expenses reimbursed to Internal Investment Manager		(3,189)	(10,669)
Total expenses	(45,227)	(41,074)	(31,195)
<b>NET INVESTMENT INCOME</b>	<b>95,536</b>	<b>75,423</b>	<b>59,325</b>
<b>NET REALIZED GAIN (LOSS):</b>			
Control investments	(10)	8,669	(1,940)
Affiliate investments	12,019	981	16,215
Non-Control/Non-Affiliate investments	11,257	(2,705)	865
Marketable securities and idle funds investments	(60)	332	1,339
SBIC debentures		(4,775)	
Total net realized gain (loss)	23,206	2,502	16,479
<b>NET REALIZED INCOME</b>	<b>118,742</b>	<b>77,925</b>	<b>75,804</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>			
Portfolio investments	(824)	16,155	44,704
Marketable securities and idle funds investments	48	(1,652)	(240)
SBIC debentures	(10,931)	4,392	(4,751)
Investment in affiliated Investment Manager			(253)
Total net change in unrealized appreciation (depreciation)	(11,707)	18,895	39,460
<b>INCOME TAXES:</b>			
Federal and state income, excise and other taxes	(3,013)	(3,556)	(2,818)
Deferred taxes	(3,274)	3,591	(8,002)
Income tax benefit (provision)	(6,287)	35	(10,820)
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>100,748</b>	<b>96,855</b>	<b>104,444</b>
Noncontrolling interest			(54)



Edgar Filing: Main Street Capital CORP - Form 497

<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	\$	100,748	\$	96,855	\$	104,390
<b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b>	\$	2.20	\$	2.06	\$	2.01
<b>NET REALIZED INCOME PER SHARE BASIC AND DILUTED</b>	\$	2.73	\$	2.13	\$	2.56
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE BASIC AND DILUTED</b>	\$	2.31	\$	2.65	\$	3.53
<b>DIVIDENDS PAID PER SHARE:</b>						
Regular monthly dividends	\$	1.995	\$	1.860	\$	1.71
Supplemental dividends		0.550		0.800		
<b>Total dividends</b>	\$	2.545	\$	2.660	\$	1.71
<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b>		43,522,397		36,617,850		29,540,114

The accompanying notes are an integral part of these financial statements

S-90

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Changes in Net Assets**

(in thousands, except shares)

	Common Stock			Accumulated	Accumulated	Net Unrealized	Total Net
	Number of	Par	Additional	Net	Net Realized	Appreciation	Asset Value
	Shares	Value	Paid-In	Investment	Gain From	from	
			Capital	Income, Net	Investments,	Investments,	
				of Dividends	Net of	Net of	
					Dividends	Income	
						Taxes	
<b>Balances at December 31, 2011</b>	26,714,384	\$ 267	\$ 360,164	\$ 12,531	\$ (20,445)	\$ 53,194	\$ 405,711
Public offering of common stock, net of offering costs	7,187,500	72	169,874				169,946
MSC II noncontrolling interest acquisition	229,634	2	5,328				5,330
Adjustment to investment in Investment Manager related to MSC II noncontrolling interest acquisition			(1,616)				(1,616)
Share-based compensation			2,565				2,565
Purchase of vested stock for employee payroll tax withholding	(43,503)		(1,096)				(1,096)
Dividend reinvestment	349,960	3	8,919				8,922
Issuance of restricted stock	151,509	2	(2)				
Distributions to noncontrolling interest							
Dividends to stockholders				(35,987)	(15,189)		(51,176)
Net increase resulting from operations				59,325	16,479	28,640	104,444
Noncontrolling interest						(54)	(54)
<b>Balances at December 31, 2012</b>	34,589,484	\$ 346	\$ 544,136	\$ 35,869	\$ (19,155)	\$ 81,780	\$ 642,976
<b>Balances at December 31, 2012</b>	34,589,484	\$ 346	\$ 544,136	\$ 35,869	\$ (19,155)	\$ 81,780	\$ 642,976
Public offering of common stock, net of offering costs	4,600,000	46	131,407				131,453
Share-based compensation			4,210				4,210
Purchase of vested stock for employee payroll tax withholding	(62,025)	(1)	(1,764)				(1,765)
Dividend reinvestment	433,218	4	13,622				13,626
Issuance of restricted stock	275,145	3	(3)				
Consolidation of Internal Investment Manager			2,037				2,037
Issuances of common stock	18,125		578				578
Other	(1,343)		758				758
Dividends to stockholders				(83,739)	(14,456)		(98,195)
Net increase resulting from operations				70,648	7,277	18,930	96,855
<b>Balances at December 31, 2013</b>	39,852,604	\$ 398	\$ 694,981	\$ 22,778	\$ (26,334)	\$ 100,710	\$ 792,533
<b>Balances at December 31, 2013</b>	39,852,604	\$ 398	\$ 694,981	\$ 22,778	\$ (26,334)	\$ 100,710	\$ 792,533
Public offering of common stock, net of offering costs	4,600,000	46	139,651				139,697
Share-based compensation			4,215				4,215
Purchase of vested stock for employee payroll tax withholding	(46,955)		(1,495)				(1,495)
Dividend reinvestment	468,417	5	14,951				14,956
Amortization of directors' deferred compensation			297				297
Issuance of restricted stock	241,578	2	(2)				
Tax benefit related to vesting of restricted shares			1,008				1,008
Forfeited shares of terminated employees	(36,494)						

## Edgar Filing: Main Street Capital CORP - Form 497

Dividends to stockholders	(94,649)	(17,328)	(111,977)				
Net increase (loss) resulting from operations	95,536	23,206	(17,994)	100,748			
<b>Balances at December 31, 2014</b>	45,079,150	\$ 451	\$ 853,606	\$ 23,665	\$ (20,456)	\$ 82,716	\$ 939,982

The accompanying notes are an integral part of these financial statements

S-91

---

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Cash Flows**

(in thousands)

	<b>Twelve Months Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net increase in net assets resulting from operations	\$ 100,748	\$ 96,855	\$ 104,444
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:			
Investments in portfolio companies	(831,192)	(767,457)	(639,776)
Proceeds from sales and repayments of debt investments in portfolio companies	512,084	446,042	400,017
Proceeds from sales of equity investments in portfolio companies	42,585	18,991	35,106
Investments in marketable securities and idle funds investments	(22,691)	(54,011)	(14,379)
Proceeds from sales and repayments of marketable securities and idle funds investments	26,958	51,662	34,504
Net change in unrealized appreciation (depreciation)	11,707	(18,895)	(39,460)
Net realized (gain) loss	(23,206)	(2,502)	(16,479)
Accretion of unearned income	(10,491)	(10,881)	(12,409)
Payment-in-kind interest	(4,685)	(5,041)	(4,425)
Cumulative dividends	(1,815)	(1,377)	(315)
Share-based compensation expense	4,215	4,210	2,565
Amortization of deferred financing costs	1,740	1,519	1,036
Deferred taxes	3,274	(3,591)	8,002
Changes in other assets and liabilities:			
Interest receivable and other assets	(6,686)	87	2,681
Interest payable	2,292	(1,006)	(422)
Payable to Internal Investment Manager		(3,960)	(765)
Accounts payable and other liabilities	1,817	5,137	1,941
Deferred fees and other	2,428	3,512	2,475
Net cash used in operating activities	(190,918)	(240,706)	(135,659)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from public offering of common stock, net of offering costs	139,697	131,453	169,946
Proceeds from public offering of 6.125% Notes		92,000	
Repurchases of 6.125% Notes	(59)	(1,108)	
Proceeds from public offering of 4.50% Notes	175,000		
Dividends paid to stockholders	(95,935)	(83,180)	(39,922)
Proceeds from issuance of SBIC debentures	24,800	39,000	21,000
Repayments of SBIC debentures		(63,800)	(16,000)
Proceeds from credit facility	491,000	460,000	311,000
Repayments on credit facility	(510,000)	(355,000)	(286,000)
Payment of deferred loan costs and SBIC debenture fees	(6,359)	(6,288)	(2,201)
Other	(1,495)	(1,187)	(1,297)
Net cash provided by financing activities	216,649	211,890	156,526
Net increase (decrease) in cash and cash equivalents	25,731	(28,816)	20,867
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>34,701</b>	<b>63,517</b>	<b>42,650</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 60,432</b>	<b>\$ 34,701</b>	<b>\$ 63,517</b>

Edgar Filing: Main Street Capital CORP - Form 497

**Supplemental cash flow disclosures:**

Interest paid	\$	19,559	\$	19,760	\$	15,017
Taxes paid	\$	4,152	\$	2,431	\$	798
<b>Non-cash financing activities:</b>						
Shares issued pursuant to the DRIP	\$	14,956	\$	13,627	\$	8,922

The accompanying notes are an integral part of these financial statements

S-92

---

Table of Contents

**MAIN STREET CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2014**

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b><u>Control Investments(5)</u></b>					
<b>ASC Interests, LLC</b>	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity July 31, 2018)	3,000	2,954	3,000
		Member Units (1,500 units)(8)		1,500	1,970
				4,454	4,970
<b>Bond-Coat, Inc.</b>	Casing and Tubing Coating Services	12% Secured Debt (Maturity December 28, 2017)	13,570	13,446	13,570
		Common Stock (57,508 shares)		6,350	11,210
				19,796	24,780
<b>Café Brazil, LLC</b>	Casual Restaurant Group	Member Units (1,233 units)(8)		1,742	6,980
<b>California Healthcare Medical Billing, Inc.</b>	Outsourced Billing and Revenue Cycle Management	9% Secured Debt (Maturity October 17, 2016)	8,703	8,568	8,703
		Warrants (466,947 equivalent shares)		1,193	3,480
		Common Stock (207,789 shares)		1,177	1,460
				10,938	13,643
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Training Certification Videos	Member Units (416 units)(8)		1,300	27,200
<b>Ceres Management, LLC (Lamb's Tire &amp; Automotive)</b>	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity May 31, 2018)	3,916	3,916	3,916
		Class B Member Units (12% cumulative)(8)		4,048	4,048
		Member Units (5,460 units)		5,273	2,510
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025)	968	968	968
		Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)		625	1,240
				14,830	12,682
<b>Datacom, LLC</b>	Technology and Telecommunications Provider	10.5% Secured Debt (Maturity May 31, 2019)	11,205	11,103	11,103
		Member Units (6,453 units)		6,030	6,030

S-93

17,133

17,133

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Garreco, LLC	Manufacturer and Supplier of Dental Products	14% Secured Debt (Maturity January 12, 2018)	5,400	5,320	5,320
		Member Units (1,200 units)(8)		1,200	1,360
				6,520	6,680
GRT Rubber Technologies LLC	Engineered Rubber Product Manufacturer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity December 19, 2019)(9)	16,750	16,585	16,585
		Member Units (5,879 units)		13,065	13,065
				29,650	29,650
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products	9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017)	744	744	744
		Member Units (438 units)(8)		2,980	16,540
				3,724	17,284
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015)	5,487	5,409	5,487
		Preferred Stock (8% cumulative)(8)		1,260	1,260
		Common Stock (105,880 shares)		718	1,830
				7,387	8,577
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)(8)		589	370
		Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)		1,215	2,220
				1,804	2,590
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	13,720
IDX Broker, LLC	Provider of Marketing and CRM Tools for the Real Estate Industry	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity November 18, 2018)(9)	125	125	125
		12.5% Secured Debt (Maturity November 18, 2018)	10,571	10,483	10,571



Edgar Filing: Main Street Capital CORP - Form 497

Member Units (5,029 units)	5,029	5,450
	15,637	16,146
S-94		

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Impact Telecom, Inc.	Telecommunications Services Provider	LIBOR Plus 6.50% (Floor 2.00%), Current Coupon 8.50%, Secured Debt (Maturity May 31, 2018)(9)	1,575	1,569	1,569
		13% Secured Debt (Maturity May 31, 2018)	22,500	15,515	15,515
		Warrants (5,516,667 equivalent shares)		8,000	4,160
				25,084	21,244
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity January 15, 2015)	3,100	3,100	3,100
		Warrants (1,046 equivalent units)		1,129	2,540
				4,229	5,640
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt (Maturity November 14, 2016)(9)	3,655	3,618	3,655
		Member Units (627 units)(8)		811	3,580
				4,429	7,235
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2015)	1,550	1,550	1,550
		Preferred Equity (non-voting)		439	439
		Warrants (71 equivalent units)		54	40
		Member Units (700 units)(8)		100	360
				2,143	2,389
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity December 28, 2017)	10,250	10,112	10,112
		Preferred Member Units (2,669 units)		3,750	3,750
				13,862	13,862
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900
		Member Units (2,829 units)(8)		1,244	10,180

Edgar Filing: Main Street Capital CORP - Form 497

		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	927	927	927
		Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)		250	550
				8,071	17,307
<b>MSC Adviser I, LLC(16)</b>	Third Party Investment Advisory Services	Member Units (Fully diluted 100.0%)(8) S-95			15,580

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Mystic Logistics, Inc	Logistics and Distribution Services Provider for Large Volume Mailers	12% Secured Debt (Maturity August 15, 2019)	10,000	9,790	9,790
		Common Stock (5,873 shares)		2,720	2,720
				12,510	12,510
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity September 1, 2015)(9)	625	615	625
		Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2016)(9)	2,923	2,915	2,923
		18% Secured Debt (Maturity February 1, 2016)	4,468	4,440	4,468
		Member Units (2,955 units)(8)		2,975	7,560
				10,945	15,576
NRI Clinical Research, LLC	Clinical Research Service Provider	14% Secured Debt (Maturity September 8, 2016)	4,889	4,779	4,779
		Warrants (251,723 equivalent units)		252	160
		Member Units (671,233 units)		671	722
				5,702	5,661
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity December 22, 2016)	12,100	11,590	11,590
		Warrants (14,331 equivalent units)		817	970
		Member Units (50,877 units)(8)		2,900	3,190
				15,307	15,750
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)(8)		1,080	13,420
Pegasus Research Group, LLC (Televerde)	Provider of Telemarketing and Data Services	Member Units (460 units)(8)		1,290	5,860
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity June 10, 2015)	7,860	7,848	7,860
		Common Stock (1,961 shares)		2,150	8,160
				9,998	16,020
Principle Environmental, LLC					

## Edgar Filing: Main Street Capital CORP - Form 497

Noise Abatement Service  
Provider

12% Secured Debt (Maturity April 30, 2017)	4,060	3,813	4,060
12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)	3,244	3,227	3,244
Preferred Member Units (19,631 units)		4,663	11,830
Warrants (1,036 equivalent units)		1,200	720

12,903 19,854

S-96

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
River Aggregates, LLC	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity June 30, 2018)	750	468	468
		12% Secured Debt (Maturity June 30, 2018)	500	500	500
		Member Units (1,150 units)(8)		1,150	2,570
		Member Units (RA Properties, LLC) (1,500 units)		369	369
					2,487
SoftTouch Medical Holdings LLC	Home Provider of Pediatric Durable Medical Equipment	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity October 31, 2019)(9)	8,500	8,417	8,417
		Member Units (4,526 units)		5,015	5,015
				13,432	13,432
Southern RV, LLC	Recreational Vehicle Dealer	13% Secured Debt (Maturity August 8, 2018)	11,400	11,266	11,400
		Member Units (1,680 units)(8)		1,680	4,920
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018)	3,250	3,212	3,250
		Member Units (Southern RV Real Estate, LLC) (480 units)		480	470
				16,638	20,040
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	9% Secured Debt (Maturity October 8, 2018)	2,724	2,724	2,724
		Series A Preferred Units (2,500 units; 10% Cumulative)		2,500	980
		Warrants (1,424 equivalent units)		1,096	
		Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted)(8)		2,300	2,300
				8,620	6,004
Travis Acquisition LLC	Manufacturer of Aluminum Trailers	12% Secured Debt (Maturity August 30, 2018)	4,693	4,617	4,693
		Member Units (7,282 units)		7,100	13,650
				11,717	18,343
Uvalco Supply, LLC					

# Edgar Filing: Main Street Capital CORP - Form 497

Farm and Ranch Supply  
Store

9% Secured Debt (Maturity January 1, 2019)	1,802	1,802	1,802
Member Units (1,006 units)(8)		1,113	3,500

2,915 5,302

S-97

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2016)	3,204	3,169	3,154
		Series A Preferred Stock (3,000,000 shares)		3,000	3,250
		Common Stock (1,126,242 shares)		3,706	100
				9,875	6,504
Ziegler's NYPD, LLC	Casual Restaurant Group	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity October 1, 2018)(9)	1,500	1,491	1,491
		9% Current / 9% PIK Secured Debt (Maturity October 1, 2018)	5,509	5,509	4,880
		Warrants (587 equivalent units)		600	
				7,600	6,371
<b>Subtotal Control Investments (29.9% of total investments at fair value)</b>				<b>342,847</b>	<b>469,846</b>

S-98



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Affiliate Investments(6)</b>					
AFG Capital Group, LLC	Provider of Rent-to-Own Financing Solutions and Services	11% Secured Debt (Maturity November 7, 2019)	6,800	6,465	6,465
		Warrants (42 equivalent units)		259	259
		Member Units (186 units)		1,200	1,200
				7,924	7,924
Boss Industries, LLC	Manufacturer and Distributor of Air Compressors, Auxiliary Power Units, Gas Booster Systems and Vapor Recovery Systems	Preferred Member Units (2,242 units)		2,000	2,000
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions Provider	13% Secured Debt (Maturity April 18, 2017)	6,000	5,837	5,837
		Warrants (19 equivalent shares)		200	710
				6,037	6,547
Brightwood Capital Fund III, LP(12)(13)	Investment Partnership	LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 9.1%)(8)		8,448	8,448
CAI Software LLC	Provider of Specialized Enterprise Resource Planning Software	12% Secured Debt (Maturity October 10, 2019)	5,400	5,348	5,348
		Member Units (65,356 units)		654	654
				6,002	6,002
Condit Exhibits, LLC	Tradeshaw Exhibits / Custom Displays Provider	Member Units (3,936 units)(8)		100	610
Congruent Credit Opportunities Funds(12)(13)	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)		18,575	18,378
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8)		7,734	7,734
				26,309	26,112

Edgar Filing: Main Street Capital CORP - Form 497

<b>Daseke, Inc.</b>	Specialty Transportation Provider	12% Current / 2.5% PIK Secured Debt			
		(Maturity July 31, 2018)	20,723	20,403	20,723
		Common Stock (19,467 shares)		5,213	13,780
			25,616	34,503	
S-99					

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Dos Rios Partners(12)(13)	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)(8)		2,325	2,325
		LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)(8)		738	738
				3,063	3,063
East Teak Fine Hardwoods, Inc.	Distributor of Hardwood Products	Common Stock (5,000 shares)(8)		480	860
East West Copolymer & Rubber, LLC	Manufacturer of Synthetic Rubbers	12% Secured Debt (Maturity October 17, 2019)	9,600	9,436	9,436
		Warrants (1,823,278 equivalent units)		50	50
				9,486	9,486
Freeport Financial SBIC Fund LP(12)(13)	Investment Partnership	LP Interests (Fully diluted 9.9%)(8)		4,677	4,677
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	10% Secured Debt (Maturity November 21, 2016)	13,046	12,749	10,782
		Warrants (29,025 equivalent units)		400	
				13,149	10,782
Glowpoint, Inc.	Provider of Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity October 18, 2018)	400	396	396
		12% Secured Debt (Maturity October 18, 2018)	9,000	8,909	8,909
		Common Stock (7,711,517 shares)		3,958	8,480
				13,263	17,785
Guerdon Modular Holdings, Inc.	Multi-Family and Commercial Modular Construction Company	11% Secured Debt (Maturity August 13, 2019)	11,200	11,044	11,044
		Common Stock (213,221 shares)		2,400	2,400
				13,444	13,444
Houston Plating and Coatings, LLC	Provider of Plating and Industrial Coating Services	Member Units (248,082 units)(8)		996	11,470
Indianhead Pipeline Services, LLC					

## Edgar Filing: Main Street Capital CORP - Form 497

Provider of Pipeline  
Support Services

12% Secured Debt (Maturity February 6, 2017)	6,900	6,625	6,625
Preferred Member Units (28,905 units; 8% cumulative)(8)		1,960	1,960
Warrants (38,193 equivalent units)		459	
Member Units (14,732 units)		1	

9,045 8,585

S-100

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>irth Solutions, LLC</b>	Provider of Damage Prevention Information Technology Services	Member Units (128 units)(8)		624	3,960
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity September 28, 2017) Member Units (250 units)(8)	8,250	8,198 341	8,250 6,120
				8,539	14,370
<b>L.F. Manufacturing Holdings, LLC(10)</b>	Manufacturer of Fiberglass Products	Member Units (2,000,000 units)(8)		2,019	2,374
<b>MPS Denver, LLC</b>	Specialty Card Printing	Member Units (13,800 units)		1,130	1,130
<b>OnAsset Intelligence, Inc.</b>	Provider of Transportation Monitoring / Tracking Products and Services	12% PIK Secured Debt (Maturity March 31, 2015) Preferred Stock (912 shares; 7% cumulative)(8) Warrants (5,333 equivalent shares)	3,553	3,553 1,947 1,919	3,553 2,700 6,253
<b>OPI International Ltd.(13)</b>	Provider of Man Camp and Industrial Storage Services	Common Stock (20,766,317 shares)		1,371	4,971
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems	Preferred Stock (1,500,000 shares; 20% cumulative)(8)		2,259	4,430
<b>Quality Lease and Rental Holdings, LLC</b>	Provider of Rigsite Accommodation Unit Rentals and Related Services	8% Secured Debt (Maturity October 1, 2014)(14)(17) 12% Secured Debt (Maturity January 8, 2018)(14) Preferred Member Units (Rocaciea, LLC) (250 units)	157 36,577	157 36,073 2,500	157 11,500
				38,730	11,657
<b>Radial Drilling Services Inc.</b>	Oil and Gas Technology Provider				

Edgar Filing: Main Street Capital CORP - Form 497

12% Secured Debt (Maturity November 22, 2016)	4,200	3,792	3,792
Warrants (316 equivalent shares)		758	
		4,550	3,792

S-101

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Samba Holdings, Inc.	Provider of Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity November 17, 2016)	26,418	26,188	26,418
		Common Stock (170,963 shares)		2,087	6,030
				28,275	32,448
SYNEO, LLC	Manufacturer of Automation Machines, Specialty Cutting Tools and Punches	12% Secured Debt (Maturity July 13, 2016)	2,700	2,674	2,674
		Member Units (1,177 units)(8)		1,097	801
		10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026)	1,440	1,415	1,415
				5,186	4,890
Tin Roof Acquisition Company	Casual Restaurant Group	12% Secured Debt (Maturity November 30, 2018)	14,100	13,861	13,861
		Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)		2,241	2,241
				16,102	16,102
<b>Subtotal Affiliate Investments (17.7% of total investments at fair value)</b>				<b>266,243</b>	<b>278,675</b>

S-102

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
Accuvant Finance, LLC(11)	Cyber Security Value Added Reseller	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity October 22, 2020)(9)	5,597	5,546	5,583
Allflex Holdings III Inc.(11)	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity July 19, 2021)(9)	6,000	5,937	5,888
AM General LLC(11)	Specialty Vehicle Manufacturer	LIBOR Plus 9.00% (Floor 1.25%), Current Coupon 10.25%, Secured Debt (Maturity March 22, 2018)(9)	2,550	2,496	2,282
AM3 Pinnacle Corporation(10)	Provider of Comprehensive Internet, TV and Voice Services for Multi- Dwelling Unit Properties	10% Secured Debt (Maturity October 22, 2018) Common Stock (60,240 shares)	21,002	20,863 2,000	20,863 1,840
				22,863	22,703
AmeriTech College, LLC	For-Profit Nursing and Healthcare College	10% Secured Debt (Maturity November 30, 2019) 10% Secured Debt (Maturity January 31, 2020)	979 6,050	979 6,050	979 6,050
				7,029	7,029
AMF Bowling Centers, Inc.(11)	Bowling Alley Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity September 18, 2021)(9)	4,988	4,915	4,913
Anchor Hocking, LLC(11)	Household Products Manufacturer	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75% / 1.75% PIK, Current Coupon Plus PIK 9.50%, Secured Debt (Maturity May 21, 2020)(9)	10,916	10,842	6,559
AP Gaming I, LLC(10)	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity December 20, 2020)(9)	6,930	6,744	6,930





Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2014****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Applied Products, Inc.(10)</b>	Adhesives Distributor	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 30, 2019)(9)	6,236	6,170	6,170
<b>Aptean, Inc.(11)</b>	Enterprise Application Software Provider	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity February 26, 2020)(9)	7,667	7,642	7,450
<b>Artel, LLC(11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 27, 2017)(9)	4,594	4,549	4,548
<b>ATS Workholding, Inc.(10)</b>	Manufacturer of Machine Cutting Tools and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity March 10, 2019)(9)	6,558	6,506	6,506
<b>Beers Enterprises, Inc.(10)</b>	Provider of Broadcast Video Transport Services	Prime Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 19, 2019)(9)	6,263	6,210	6,210
<b>Bioventus LLC(10)</b>	Production of Orthopedic Healing Products	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity April 10, 2020)(9)	5,000	4,903	4,987
<b>Blackbrush Oil and Gas LP(11)</b>	Oil & Gas Exploration	LIBOR Plus 6.50%, (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity July 30, 2021)(9)	4,000	3,971	3,320
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)	6,224	6,189	6,131
<b>Blue Bird Body Company(11)</b>	School Bus Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity June 26, 2020)(9)	11,500	11,339	11,443
<b>Bluestem Brands, Inc.(11)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 6, 2020)(9)	7,500	7,213	7,237

S-104

Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2014****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Brainworks Software, LLC(10)</b>	Advertising Sales and Production and Newspaper Circulation Software	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity July 22, 2019)(9)	6,263	6,182	6,182
<b>Brasa Holdings Inc.(11)</b>	Upscale Full Service Restaurants	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9)	2,143	2,128	2,121
<b>Brundage-Bone Concrete Pumping, Inc.(11)</b>	Construction Services Provider	10.375% Secured Debt (Maturity September 1, 2021)	2,500	2,500	2,556
<b>Calloway Laboratories, Inc.(10)</b>	Health Care Testing Facilities	12% PIK Secured Debt (Maturity September 30, 2015)(14) Warrants (125,000 equivalent shares)	7,225	7,176 17	2,878
				7,193	2,878
<b>Cedar Bay Generation Company LP(11)</b>	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)	2,476	2,457	2,458
<b>Cengage Learning Acquisitions, Inc.(11)</b>	Provider of Educational Print and Digital Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity March 31, 2020)(9)	4,000	3,990	3,975
<b>CGSC of Delaware Holdings Corp.(11)(13)</b>	Insurance Brokerage Firm	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)	2,000	1,975	1,780
<b>Charlotte Russe, Inc(11)</b>	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)	4,938	4,900	4,822
<b>CHI Overhead Doors, Inc.(11)</b>	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50%, (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity September 18, 2019)(9)	2,500	2,467	2,475

S-105

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Clarius ASIG, LLC(10)</b>	Prints & Advertising Film Financing	12% PIK Secured Debt (Maturity September 14, 2014)(17)	2,723	2,663	2,723
<b>Clarius BIGS, LLC(10)</b>	Prints & Advertising Film Financing	12% PIK Secured Debt (Maturity January 5, 2015)(14)	4,400	4,285	1,848
<b>Compact Power Equipment, Inc.</b>	Equipment / Tool Rental	12% Secured Debt (Maturity October 1, 2017) Series A Preferred Stock (4,298,435 shares; 8% cumulative)(8)	4,100	4,085	4,100
				1,079	2,401
				5,164	6,501
<b>Covenant Surgical Partners, Inc.(11)</b>	Ambulatory Surgical Centers	8.75% Secured Debt (Maturity August 1, 2019)	2,000	2,000	2,020
<b>CRGT Inc.(11)</b>	Provider of Custom Software Development	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 19, 2020)(9)	10,000	9,800	9,850
<b>CST Industries Inc.(11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	7,109	7,050	7,037
<b>Darr Equipment LP(10)</b>	Heavy Equipment Dealer	11.75% Current / 2% PIK Secured Debt (Maturity April 15, 2020) Warrants (915,734 equivalent units)	20,291	19,676	19,676
				474	474
				20,150	20,150
<b>Digity Media LLC(11)</b>	Radio Station Operator	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity February 10, 2019)(9)	7,406	7,335	7,387
<b>Drilling Info, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	9,920
<b>ECP-PF Holdings Group, Inc.(10)</b>	Fitness Club Operator	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity November 26, 2019)(9)	5,625	5,570	5,570

S-106

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		3,430	3,240
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)(8)		1,561	1,325
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)		1,654	1,477
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 1.0%)(8)		4,586	4,567
		LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.8%)		184	184
					11,415
<b>Energy and Exploration Partners, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity January 22, 2019)(9)	9,461	9,054	6,788
<b>e-Rewards, Inc.(11)</b>	Provider of Digital Data Collection	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)	12,687	12,518	12,560
<b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)</b>	Technology-based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity April 28, 2022)(9)	3,000	2,979	2,845
<b>FC Operating, LLC(10)</b>	Christian Specialty Retail Stores	LIBOR Plus 10.75% (Floor 1.25%), Current Coupon 12.00%, Secured Debt (Maturity November 14, 2017)(9)	5,400	5,330	4,132
<b>FishNet Security, Inc.(11)</b>	Information Technology Value-Added Reseller	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)	7,840	7,791	7,840
<b>Flavors Holdings Inc.(11)</b>	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity April 30, 2020)(9)	4,938	4,746	4,728

S-107

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Fram Group Holdings, Inc.(11)	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00% (Floor 1.50%), Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(9)	5,935	5,928	5,907
		LIBOR Plus 9.00% (Floor 1.50%), Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	700	698	684
				6,626	6,591
GI KBS Merger Sub LLC(11)	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity April 29, 2022)(9)	800	784	796
Grace Hill, LLC(10)	Online Training Tools for the Multi-Family Housing Industry	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)	9,546	9,436	9,436
Grupo Hima San Pablo, Inc.(11)	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9)	4,913	4,846	4,775
		13.75% Secured Debt (Maturity July 31, 2018)	2,000	1,925	1,920
				6,771	6,695
GST Autoleather, Inc.(11)	Automotive Leather Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity July 10, 2020)(9)	9,975	9,882	9,825
Guitar Center, Inc.(11)	Musical Instruments Retailer	6.5% Secured Debt (Maturity April 15, 2019)	7,000	6,817	6,020
Halcon Resources Corporation(11)(13)	Oil & Gas Exploration & Production	9.75% Unsecured Debt (Maturity July 15, 2020)	6,925	6,335	5,194
Hostway Corporation(11)	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity December 13, 2019)(9)	9,750	9,671	9,652
		LIBOR Plus 8.75% (Floor 1.25%), Current Coupon 10.00%, Secured Debt	5,000	4,917	4,950

Edgar Filing: Main Street Capital CORP - Form 497

(Maturity December 11, 2020)(9)

14,588

14,602

S-108

---

Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2014****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Hunter Defense Technologies, Inc.(11)</b>	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity August 5, 2019)(9)	9,875	9,783	9,752
<b>ICON Health &amp; Fitness, Inc.(11)</b>	Producer of Fitness Products	11.875% Secured Debt (Maturity October 15, 2016)	4,385	4,323	4,122
<b>iEnergizer Limited(11)(13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)	10,029	9,905	9,277
<b>Infinity Acquisition Finance Corp.(11)</b>	Application Software for Capital Markets	7.25% Unsecured Debt (Maturity August 1, 2022)	4,000	4,000	3,620
<b>Inn of the Mountain Gods Resort and Casino(11)</b>	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity November 30, 2020)	3,851	3,687	3,697
<b>iQor US Inc.(11)</b>	Business Process Outsourcing Services Provider	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity April 1, 2021)(9)	9,987	9,789	9,288
<b>Jackson Hewitt Tax Service Inc.(11)</b>	Tax Preparation Service Provider	LIBOR Plus 8.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9)	4,509	4,396	4,509
<b>Joerns Healthcare, LLC(11)</b>	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity May 9, 2020)(9)	9,950	9,853	9,838
<b>John Deere Landscapes LLC(10)</b>	Distributor of Landscaping Supplies	LIBOR Plus 4.00% (Floor 1.00%), Current Coupon 5.00%, Secured Debt (Maturity December 23, 2019)(9)	8,573	8,193	8,193
<b>Keypoint Government Solutions, Inc.(11)</b>	Provider of Pre-Employment Screening Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity November 13, 2017)(9)	4,726	4,668	4,702

S-109





Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Lansing Trade Group LLC(11)	Commodity Merchandiser	9.25% Unsecured Debt (Maturity February 15, 2019)	6,000	6,000	5,610
Larchmont Resources, LLC(11)	Oil & Gas Exploration & Production	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 7, 2019)(9)	6,895	6,842	6,636
LKCM Distribution Holdings, L.P.	Distributor of Industrial Process Equipment	12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)	16,417	16,278	16,417
LKCM Headwater Investments I, L.P.(12)(13)	Investment Partnership	LP Interests (Fully diluted 2.3%)(8)		2,250	5,764
MAH Merger Corporation(11)	Sports-Themed Casual Dining Chain	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)	7,258	7,198	7,276
MediMedia USA, Inc.(11)	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity November 20, 2018)(9)	5,411	5,292	5,289
Messenger, LLC(10)	Supplier of Specialty Stationary and Related Products to the Funeral Industry	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 5, 2019)(9)	13,639	13,518	13,518
Milk Specialties Company(11)	Processor of Nutrition Products	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity November 9, 2018)(9)	7,847	7,806	7,670
Minute Key, Inc.	Operator of Automated Key Duplication Kiosks	10% Current / 2% PIK Secured Debt (Maturity September 19, 2019)	4,023	3,985	3,985
Miramax Film NY, LLC(11)	Motion Picture Producer and Distributor	Class B Units (12% cumulative)(8)		792	792
Modern VideoFilm, Inc.(10)	Post-Production Film Studio	LIBOR Plus 3.50% (Floor 1.50%), Current Coupon 5.00% / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity September 25, 2017)(9)(14) Warrants (1,375 equivalent shares)	6,302	6,119 151	1,954 1

S-110

6,270

1,955

---

Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2014****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Mood Media Corporation(11)(13)</b>	Provider of Electronic Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity May 1, 2019)(9)	12,193	12,053	11,964
<b>MP Assets Corporation(11)</b>	Manufacturer of Battery Components	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 19, 2019)(9)	4,416	4,378	4,394
<b>New Media Holdings II LLC(11)(13)</b>	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 4, 2020)(9)	14,925	14,649	14,776
<b>Nice-Pak Products, Inc.(11)</b>	Pre-Moistened Wipes Manufacturer	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity June 18, 2015)(9)	12,541	12,518	12,478
<b>North Atlantic Trading Company, Inc.(11)</b>	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity January 13, 2020)(9)	7,426	7,361	7,305
<b>Novitex Intermediate, LLC(11)</b>	Provider of Document Management Services	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity July 7, 2020)(9)	5,985	5,929	5,746
<b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity November 15, 2026)	5,205	5,205	5,205
<b>Panolam Industries International, Inc.(11)</b>	Decorative Laminate Manufacturer	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity August 23, 2017)(9)	6,994	6,949	6,889
<b>Parq Holdings Limited Partnership(11)(13)</b>	Hotel & Casino Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 17, 2020)(9)	6,226	6,078	6,108
<b>Permian Holdings, Inc.(11)</b>	Storage Tank Manufacturer	10.5% Secured Debt (Maturity January 15, 2018)	2,755	2,728	2,066

S-111

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Pernix Therapeutics Holdings, Inc.(10)(13)</b>	Pharmaceutical Royalty Anti-Migraine	12% Secured Debt (Maturity August 1, 2020)	4,000	4,000	4,000
<b>PeroxyChem LLC(11)</b>	Chemical Manufacturer	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity February 28, 2020)(9)	8,933	8,774	8,843
<b>Philadelphia Energy Solutions Refining and Marketing LLC(11)</b>	Oil & Gas Refiner	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 4, 2018)(9)	2,948	2,917	2,785
<b>Pike Corporation(11)</b>	Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity June 22, 2022)(9)	15,000	14,628	14,825
<b>Polyconcept Financial B.V.(11)</b>	Promotional Products to Corporations and Consumers	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	4,325	4,311	4,309
<b>Primesight Limited(10)(13)</b>	Outdoor Advertising Operator	10% Secured Debt (Maturity October 22, 2016)	8,869	8,806	8,284
<b>Printpack Holdings, Inc.(11)</b>	Manufacturer of Flexible and Rigid Packaging	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity May 29, 2020)(9)	5,468	5,417	5,450
<b>PT Network, LLC(10)</b>	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity November 1, 2018)(9)	11,946	11,828	11,828
<b>QBS Parent, Inc.(11)</b>	Provider of Software and Services to the Oil & Gas Industry	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2021)(9)	10,000	9,905	9,825

S-112

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>RCHP, Inc.(11)</b>	Regional Non-Urban Hospital Owner/Operator	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity October 23, 2019)(9)	4,000	3,945	3,990
<b>Recorded Books Inc.(11)</b>	Audiobook and Digital Content Publisher	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity January 31, 2020)(9)	12,031	11,925	11,941
<b>Relativity Media, LLC(10)</b>	Full-Scale Film and Television Production and Distribution	10% Secured Debt (Maturity May 30, 2015) 15% PIK Secured Debt (Maturity May 30, 2015) Class A Units (260,194 units)	5,787 7,410	5,772 7,347 292	5,801 7,558 1,086
				13,411	14,445
<b>Renaissance Learning, Inc.(11)</b>	Technology-based K-12 Learning Solutions	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity April 11, 2022)(9)	3,000	2,972	2,880
<b>RGL Reservoir Operations Inc.(11)(13)</b>	Oil & Gas Equipment and Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 13, 2021)(9)	3,990	3,876	3,219
<b>RLJ Entertainment, Inc.(10)</b>	Movie and TV Programming Licensee and Distributor	LIBOR Plus 8.75% (Floor 0.25%), Current Coupon 9.00%, Secured Debt (Maturity September 11, 2019)(9)	11,399	11,318	11,318
<b>SAExploration, Inc.(10)(13)</b>	Geophysical Services Provider	Common Stock (6,472 shares)(8)		65	27
<b>Sage Automotive Interiors, Inc(11)</b>	Automotive Textiles Manufacturer	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 8, 2021)(9)	3,000	2,971	2,985
<b>Sagittarius Restaurants LLC (d/b/a Del Taco)(11)</b>	Mexican/American QSR Restaurant Chain	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity October 1, 2018)(9)	4,591	4,572	4,562
<b>SCE Partners, LLC(10)</b>	Hotel & Casino Operator	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt	7,481	7,421	7,519



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Sotera Defense Solutions, Inc.(11)	Defense Industry Intelligence Services	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.00%, Secured Debt (Maturity April 21, 2017)(9)	10,984	10,564	10,160
Symphony Teleca Services, Inc.(11)	Outsourced Product Development	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2019)(9)	14,000	13,870	13,930
Synagro Infrastructure Company, Inc(11)	Waste Management Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)	6,913	6,798	6,822
Targus Group International(11)	Distributor of Protective Cases for Mobile Devices	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity May 24, 2016)(9)	4,288	4,299	3,495
TeleGuam Holdings, LLC(11)	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9)	6,830 2,500	6,813 2,480	6,796 2,512
Templar Energy LLC(11)	Oil & Gas Exploration & Production	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 25, 2020)(9)	5,000	4,945	3,615
The Tennis Channel, Inc.(10)	Television-Based Sports Broadcasting	Warrants (114,316 equivalent shares)		235	301
The Topps Company, Inc.(11)	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2018)(9)	1,980	1,964	1,930
Therakos, Inc.(11)	Immune System Disease Treatment	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity December 27, 2017)(9)	6,278	6,178	6,255

S-114



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>TOMS Shoes, LLC(11)</b>	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity October 30, 2020)(9)	5,000	4,511	4,625
<b>Travel Leaders Group, LLC(11)</b>	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 5, 2018)(9)	12,445	12,305	12,445
<b>UniTek Global Services, Inc.(11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity April 15, 2018)(9)(14) 5% Current / 2.25% PIK Secured Debt (Maturity August 13, 2019)(14) Warrants (267,302 equivalent shares)	10,776 640	10,173 640 449	7,942 640
<b>Universal Fiber Systems, LLC(10)</b>	Manufacturer of Synthetic Fibers	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity January 31, 2019)(9)	5,094	5,084	5,082
<b>Universal Wellhead Services Holdings, LLC(10)</b>	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Class A Units(4,000,000 units)		4,000	4,000
<b>US Joiner Holding Company(11)</b>	Marine Interior Design and Installation	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity April 16, 2020)(9)	7,444	7,410	7,332
<b>Vantage Oncology, LLC(11)</b>	Outpatient Radiation Oncology Treatment Centers	9.5% Secured Debt (Maturity June 5, 2017)	7,000	7,000	6,790
<b>Virtex Enterprises, LP(10)</b>	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity December 27, 2018) Preferred Class A Units (14 units; 5% cumulative)(8) Warrants (11 equivalent units)	1,667	1,479 344 186	1,479 344 186



Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2014****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Vision Solutions, Inc.(11)</b>	Provider of Information Availability Software	LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	5,000	4,941	4,872
<b>Western Dental Services, Inc.(11)</b>	Dental Care Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity November 1, 2018)(9)	5,395	5,391	5,153
<b>Wilton Brands LLC(11)</b>	Specialty Housewares Retailer	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity August 30, 2018)(9)	1,750	1,727	1,636
<b>Worley Claims Services, LLC(10)</b>	Insurance Adjustment Management and Services Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 31, 2020)(9)	6,500	6,437	6,533
<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions	Warrants (952,500 equivalent shares)		1,071	1,071
<b>Subtotal Non-Control/Non-Affiliate Investments (51.8% of total investments at fair value)</b>				832,312	814,809
<b>Total Portfolio Investments, December 31, 2014</b>				1,441,402	1,563,330

S-116

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>					
Solar Senior Capital Ltd.(13)(15)	Business Development Company	Common Stock (39,000 shares)(8)		742	584
<b>Other Marketable Securities and Idle Funds Investments(13)(15)</b>	Investments in Marketable Securities and Diversified, Registered Bond Funds		518	9,862	8,483
<b>Subtotal Marketable Securities and Idle Funds Investments (0.6% of total investments at fair value)</b>				10,604	9,067
<b>Total Investments, December 31, 2014</b>				\$ 1,452,006	\$ 1,572,397

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. Substantially all of the Company's assets are encumbered either as security for the Company's credit agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. 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) Private Loan portfolio investment. See Note B for a summary of Private Loan portfolio investments.
- (11)

## Edgar Filing: Main Street Capital CORP - Form 497

Middle Market portfolio investment. See Note B for a summary of Middle Market portfolio investments.

- (12) Other Portfolio investment. See Note B for a summary of Other Portfolio investments.
- (13) 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.
- (14) Non-accrual and non-income producing investment.
- (15) Marketable securities and idle fund investments.
- (16) External Investment Manager.
- (17) Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.

S-117

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Control Investments(5)</b>					
ASC Interests, LLC	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity July 31, 2018)	3,500	3,434	3,434
		Member Units (1,500 units)		1,500	1,500
				4,934	4,934
Bond-Coat, Inc.	Casing and Tubing Coating Services	12% Secured Debt (Maturity December 28, 2017)	14,750	14,581	14,750
		Common Stock (56,330 shares)		6,220	8,850
				20,801	23,600
Café Brazil, LLC	Casual Restaurant Group	Member Units (1,233 units)(8)		1,742	6,770
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity October 17, 2015)	8,103	7,973	8,103
		Warrants (466,947 equivalent shares)		1,193	3,380
		Common Stock (207,789 shares)		1,177	1,560
				10,343	13,043
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	Member Units (416 units)(8)		1,300	16,700
Ceres Management, LLC (Lamb's Tire & Automotive)	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative)(8)		3,586	3,586
		Member Units (5,460 units)		5,273	1,190
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025)	1,017	1,017	1,017
		Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)		625	1,060
				14,501	10,853
Garreco, LLC	Manufacturer and Supplier of Dental Products	14% Secured Debt (Maturity January 12, 2018)	5,800	5,693	5,693
		Member Units (1,200 units)		1,200	1,200
				6,893	6,893
		S-118			



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
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 (438 units)(8)		2,980	13,220
				3,899	14,139
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015)	4,896	4,659	4,896
		Preferred Stock (8% cumulative)(8)		1,167	1,167
		Common Stock (107,456 shares)		718	1,340
				6,544	7,403
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)(8)		589	440
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(8)		1,215	2,050
				1,804	2,490
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	13,720
IDX Broker, LLC	Provider of Marketing and CRM Tools for Real Estate	12.5% Secured Debt (Maturity November 18, 2018)	10,571	10,467	10,467
		Member Units (5,029 units)		5,029	5,029
				15,496	15,496
Impact Telecom, Inc.	Telecommunications Services	LIBOR Plus 4.50% (Floor 2.00%), Current Coupon 6.50%, Secured Debt (Maturity May 31, 2018)(9)	1,575	1,568	1,568
		13% Secured Debt (Maturity May 31, 2018)	22,500	14,690	14,690
		Warrants (5,516,667 equivalent shares)		8,000	8,760
				24,258	25,018
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity September 15, 2014)	3,550	3,483	3,550
		Warrants (1,046 equivalent units)		1,129	2,200



Edgar Filing: Main Street Capital CORP - Form 497

		4,612	5,750
<b>Jensen Jewelers of Idaho, LLC</b>			
	Retail Jewelry Store		
	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured		
	Debt (Maturity November 14, 2016)(9)	4,255	4,193
	Member Units (627 units)(8)		811
			3,310
			5,004
	S-119		7,565

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2014)	1,676	1,676	1,676
		Preferred Stock (non-voting)		459	470
		Warrants (71 equivalent units)		54	30
		Member Units (700 units)		100	250
					2,289
<b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b>	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity December 28, 2017)	10,250	10,076	10,076
		Preferred Member Units (2,669 units)		3,750	3,750
				13,826	13,826
<b>Mid-Columbia Lumber Products, LLC</b>	Manufacturer of Finger- Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900
		Member Units (2,774 units)(8)		1,132	8,280
		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	972	972	972
		Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)		250	440
				8,004	15,342
<b>MSC Adviser I, LLC(15)</b>	Investment Partnership	Member Units (Fully diluted 100.0%)			1,064
<b>NAPCO Precast, LLC</b>	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity September 1, 2015)(9)	2,750	2,703	2,750
		Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2016)(9)	2,923	2,893	2,923
		18% Secured Debt (Maturity February 1, 2016)	4,468	4,418	4,468
		Member Units (2,955 units)(8)		2,975	5,920
			12,989	16,061	
<b>NRI Clinical Research, LLC</b>	Clinical Research Center	14% Secured Debt (Maturity September 8, 2016)	4,394	4,226	4,226
		Warrants (251,723 equivalent units)		252	440

Edgar Filing: Main Street Capital CORP - Form 497

Member Units (500,000 units)	500	870
S-120	4,978	5,536

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt			
		(Maturity December 22, 2016)	12,100	11,382	12,100
		Warrants (14,331 equivalent units)		817	1,420
		Member Units (50,877 units)(8)		2,900	5,050
				15,099	18,570
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)(8)		1,080	13,420
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services	15% Secured Debt			
		(Maturity January 6, 2016)	4,791	4,760	4,791
		Member Units (450 units)(8)		1,250	4,860
				6,010	9,651
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt			
		(Maturity June 10, 2015)	7,860	7,827	7,860
		Common Stock (2,000 shares)		2,150	7,990
				9,977	15,850
Principle Environmental, LLC	Noise Abatement Services	12% Secured Debt			
		(Maturity February 1, 2016)	3,506	3,070	3,506
		12% Current / 2% PIK Secured Debt			
		(Maturity February 1, 2016)	4,674	4,617	4,656
		Warrants (1,036 equivalent units)		1,200	2,620
Member Units (1,553 units)(8)		1,863	4,180		
				10,750	14,962
River Aggregates, LLC	Processor of Construction Aggregates	Zero Coupon Secured Debt			
		(Maturity June 30, 2018)	750	421	421
		12% Secured Debt (Maturity June 30, 2018)	500	500	500
		Member Units (1,150 units)		1,150	
		Member Units (RA Properties, LLC) (1,500 units)		369	369
				2,440	1,290
Southern RV, LLC	Recreational Vehicle Dealer	13% Secured Debt (Maturity August 8, 2018)	11,400	11,239	11,239
		Member Units (1,680 units)(8)		1,680	1,680

Edgar Filing: Main Street Capital CORP - Form 497

13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018)	3,250	3,204	3,204
Member Units (Southern RV Real Estate, LLC) (480 units)		480	480
		16,603	16,603
S-121			

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity July 1, 2014)	1,079	1,079	880
		6% Current / 6% PIK Secured Debt (Maturity July 1, 2014)	5,639	5,639	4,600
		Warrants (1,068 equivalent units)		1,096	
				7,814	5,480
Travis Acquisition LLC	Manufacturer of Aluminum Trailers	12% Secured Debt (Maturity August 30, 2018)	9,200	9,025	9,025
		Member Units (7,282 units)		7,100	7,100
				16,125	16,125
Uvalco Supply, LLC	Farm and Ranch Supply Store	9% Secured Debt (Maturity January 1, 2019)	2,175	2,175	2,175
		Member Units (1,006 units)(8)		1,113	3,730
				3,288	5,905
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2016)	3,204	3,158	3,158
		Series A Preferred Stock (3,000,000 shares)		3,000	1,510
		Common Stock (1,126,242 shares)		3,706	
				9,864	4,668
Ziegler's NYPD, LLC	Casual Restaurant Group	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity October 1, 2018)(9)	1,000	1,000	1,000
		9% Current / 9% PIK Secured Debt (Maturity October 1, 2018)	5,449	5,449	4,820
		Warrants (587 equivalent units)		600	
				7,049	5,820
<b>Subtotal Control Investments (27.5% of total investments at fair value)</b>				<b>277,411</b>	<b>356,973</b>

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b><u>Affiliate Investments(6)</u></b>					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors	Warrants (674,677 equivalent shares)		50	10,100
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions	13% Secured Debt (Maturity April 17, 2017)	5,000	4,799	4,799
		Warrants (19 equivalent shares)		200	530
				4,999	5,329
Buffalo Composite Materials Holdings, LLC(10)	Manufacturer of Fiberglass Products	Member Units (2,000,000 units)		2,035	2,035
Condit Exhibits, LLC	Tradeshaw Exhibits / Custom Displays	12% Secured Debt (Maturity July 31, 2018)	3,750	3,750	3,750
		Warrants (2,755 equivalent units)		100	540
				3,850	4,290
Congruent Credit Opportunities Funds(12)(13)	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)		22,060	22,692
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)		4,128	4,128
				26,188	26,820
Daseke, Inc.	Specialty Transportation Provider	12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018)	20,206	19,828	19,828
		Common Stock (18,038 shares)		4,642	11,689
				24,470	31,517
Dos Rios Partners(12)(13)	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 27.7%)		1,269	1,269
		LP Interests (Dos Rios Partners A, LP) (Fully diluted 9.1%)		403	403
				1,672	1,672
East Teak Fine Hardwoods, Inc.	Hardwood Products	Common Stock (5,000 shares)		480	450
	Investment Partnership				

Edgar Filing: Main Street Capital CORP - Form 497

Freeport Financial SBIC  
Fund LP(12)(13)

LP Interests (Fully diluted 9.9%)  
S-123

1,618

1,618

---



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity November 21, 2016)	12,165	11,747	10,550
		Warrants (29,025 equivalent units)		400	
				12,147	10,550
Glowpoint, Inc.	Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity October 18, 2018)	300	294	294
		12% Secured Debt (Maturity October 18, 2018)	9,000	8,892	8,892
		Common Stock (GP Investment Holdings, LLC) (7,711,517 shares)		3,800	10,235
				12,986	19,421
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (238,333 units)(8)		635	9,160
Indianhead Pipeline Services, LLC	Pipeline Support Services	12% Secured Debt (Maturity February 6, 2017)	7,800	7,394	7,800
		Preferred Member Units (28,905 units; 8% cumulative)(8)		1,832	1,832
		Warrants (38,193 equivalent units)		459	470
		Member Units (14,732 units)(8)		1	530
				9,686	10,632
Integrated Printing Solutions, LLC	Specialty Card Printing	8% PIK Secured Debt (Maturity January 31, 2014)(14)	750	750	750
		13% PIK Secured Debt (Maturity September 23, 2016)(14)	12,500	11,918	8,365
		Preferred Member Units (13.6 units)		2,000	
		Warrants (9.9 equivalent units)		600	
				15,268	9,115
irth Solutions, LLC	Damage Prevention Technology Information Services	Member Units (128 units)(8)		624	3,300
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity September 28, 2017)	9,000	8,927	9,000
		Member Units (250 units)(8)		341	5,740

Edgar Filing: Main Street Capital CORP - Form 497

		9,268	14,740
<b>OnAsset Intelligence, Inc.</b>	Transportation Monitoring / Tracking Services		
	12% PIK Secured Debt (Maturity June 30, 2014)	2,330	1,788
	Preferred Stock (908 shares; 7% cumulative)(8)		1,815
	Warrants (3,629 shares)		1,787
			5,390
	S-124		4,760

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>OPI International Ltd.(13)</b>	Oil and Gas Construction Services	Common Stock (20,766,317 shares)		1,371	4,971
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems	12% Current / 4% PIK Secured Debt (Maturity December 18, 2017)	4,449	4,376	4,449
		Preferred Stock (1,500,000 shares; 20% cumulative)(8)		1,847	3,311
				6,223	7,760
<b>Quality Lease and Rental Holdings, LLC</b>	Rigsite Accommodation Unit Rental and Related Services	12% Secured Debt (Maturity January 8, 2018)(14)	37,350	36,843	20,000
		Preferred Member Units (Rocacia, LLC) (250 units)		2,500	
				39,343	20,000
<b>Radial Drilling Services Inc.</b>	Oil and Gas Technology	12% Secured Debt (Maturity November 22, 2016)	4,200	3,626	3,626
		Warrants (316 equivalent shares)		758	
				4,384	3,626
<b>Samba Holdings, Inc.</b>	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity November 17, 2016)	11,453	11,325	11,453
		Common Stock (158,066 shares)		1,707	4,510
				13,032	15,963
<b>Spectrio LLC</b>	Audio Messaging Services	LIBOR Plus 7.50%, (Floor 1.00%) Current Coupon 8.50%, Secured Debt (Maturity November 19, 2018)(9)	17,878	17,504	17,878
		Warrants (191 equivalent units)		887	3,850
				18,391	21,728
<b>SYNEO, LLC</b>	Manufacturer of Specialty Cutting Tools and Punches	12% Secured Debt (Maturity July 13, 2016)	4,300	4,238	4,238
		Member Units (1,111 units)		1,036	740
		10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026)	1,440	1,414	1,414

Edgar Filing: Main Street Capital CORP - Form 497

			6,688	6,392
<b>Texas Reexcavation LC</b>	Hydro Excavation Services			
		12% Current / 3% PIK Secured Debt (Maturity December 31, 2017)	6,185	6,082
		Class A Member Units (290 units)		2,900
				3,270
			8,982	9,352
		S-125		

---

Table of Contents

**MAIN STREET CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2013**

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Tin Roof Acquisition Company</b>	Casual Restaurant Group	12% Secured Debt (Maturity November 30, 2018)	11,000	10,785	10,785
		Class C Preferred Member Units (Fully diluted 10%; 10% cumulative)(8)		2,027	2,027
				12,812	12,812
<b>Subtotal Affiliate Investments (20.6% of total investments at fair value)</b>				<b>242,592</b>	<b>268,113</b>

S-126

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>ABG Intermediate Holdings 2, LLC(11)</b>	Trademark Licensing of Clothing	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	7,500	7,463	7,463
<b>Allflex Holdings III Inc.(11)</b>	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity July 19, 2021)(9)	5,000	4,952	5,076
<b>Alvogen Pharma US, Inc.(11)</b>	Pharmaceutical Company Focused on Generics	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity May 23, 2018)(9)	1,966	1,938	1,996
<b>AM General LLC(11)</b>	Specialty Vehicle Manufacturer	LIBOR Plus 9.00% (Floor 1.25%), Current Coupon 10.25%, Secured Debt (Maturity March 22, 2018)(9)	2,850	2,775	2,501
<b>AM3 Pinnacle Corporation(10)</b>	Provider of Comprehensive Internet, TV and Voice Services for Multi-Dwelling Unit Properties	10% Secured Debt (Maturity October 22, 2018) Common Stock (60,240 shares)	22,500	22,320 2,000	22,320 2,000
				24,320	24,320
<b>American Beacon Advisors Inc.(11)</b>	Provider of Sub-Advised Investment Products	LIBOR Plus 3.75% (Floor 1.00%), Current Coupon 4.75%, Secured Debt (Maturity November 22, 2019)(9)	6,500	6,436	6,534
<b>AmeriTech College, LLC</b>	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity March 9, 2017)	6,050	5,960	6,050
<b>AMF Bowling Centers, Inc.(11)</b>	Bowling Alley Operator	LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 29, 2018)(9)	4,938	4,799	4,975
<b>Anchor Hocking, LLC(11)</b>	Household Products Manufacturer	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity May 21, 2020)(9)	6,965	6,900	7,078

S-127

Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2013****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Ancile Solutions, Inc.(11)</b>	Provider of eLearning Solutions	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity July 15, 2018)(9)	9,628	9,571	9,652
<b>Answers Corporation(11)</b>	Consumer Internet Search Services Provider	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity December 20, 2018)(9)	8,500	8,415	8,436
<b>AP Gaming I, LLC(10)</b>	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity December 20, 2020)(9)	7,000	6,790	6,913
<b>Apria Healthcare Group, Inc.(11)</b>	Provider of Home Healthcare Equipment	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity April 6, 2020)(9)	5,473	5,441	5,500
<b>Artel, LLC(11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 27, 2017)(9)	5,953	5,878	5,864
<b>Atkins Nutritionals Holdings II, Inc.(11)</b>	Weight Management Food Products	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity January 2, 2019)(9)	1,985	1,985	2,010
<b>B. J. Alan Company</b>	Retailer and Distributor of Consumer Fireworks	12.5% Current / 2.5% PIK Secured Debt (Maturity June 22, 2017)	11,235	11,158	11,158
<b>BBTS Borrower LP(11)</b>	Oil & Gas Exploration and Midstream Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity June 4, 2019)(9)	6,948	6,883	7,013
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)	5,413	5,375	5,399
<b>Bluestem Brands, Inc.(11)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 6, 2018)(9)	4,000	3,921	3,960

S-128

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media	12% Secured Debt (Maturity April 30, 2015)	7,063	6,983	7,063
<b>Brasa Holdings Inc.(11)</b>	Upscale Full Service Restaurants	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9) LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9)	3,456 3,857	3,379 3,820	3,498 3,896
				7,199	7,394
<b>Calloway Laboratories, Inc.(10)</b>	Health Care Testing Facilities	12% PIK Secured Debt (Maturity September 30, 2014) Warrants (125,000 equivalent shares)	6,336	6,276 17	4,738
				6,293	4,738
<b>CDC Software Corporation(11)</b>	Enterprise Application Software	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity August 6, 2018)(9)	4,197	4,163	4,244
<b>Cedar Bay Generation Company LP(11)</b>	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)	7,964	7,891	8,028
<b>Charlotte Russe, Inc(11)</b>	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)	4,988	4,942	4,919
<b>CHI Overhead Doors, Inc.(11)</b>	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity September 18, 2019)(9)	2,500	2,462	2,513
<b>Collective Brands Finance, Inc.(11)</b>	Specialty Footwear Retailer	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 9, 2019)(9)	2,481	2,481	2,494
<b>Compact Power Equipment, Inc.</b>	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity October 1, 2017) Series A Preferred Stock (4,298,435 shares; 8% cumulative)(8)	3,918	3,901 998	3,918 2,230



S-129

4,899

6,148

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>CGSC of Delaware Holdings Corp.(11)(13)</b>	Insurance Brokerage Firm	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)	2,000	1,972	1,940
<b>Connolly Holdings Inc.(11)</b>	Audit Recovery Software	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity July 13, 2018)(9)	2,395	2,376	2,405
		LIBOR Plus 9.25% (Floor 1.25%), Current Coupon 10.50%, Secured Debt (Maturity January 15, 2019)(9)	2,000	1,967	2,045
				4,343	4,450
<b>CST Industries Inc.(11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	11,563	11,436	11,389
<b>Drilling Info, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	9,470
<b>Emerald Performance Materials, Inc.(11)</b>	Specialty Chemicals Manufacturer	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 18, 2018)(9)	4,434	4,401	4,467
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		2,868	2,985
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.3%)		1,192	1,301
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)		646	646
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)		2,723	2,723
				7,429	7,655
<b>e-Rewards, Inc.(11)</b>	Provider of Digital Data Collection	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)	11,000	10,786	10,931
<b>Excelitas Technologies Corp.(11)</b>	Lighting and Sensor Components	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity November 2, 2020)(9)	3,958	3,919	3,987



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Fender Musical Instruments Corporation(11)</b>	Manufacturer of Musical Instruments	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity April 3, 2019)(9)	448	443	455
<b>FC Operating, LLC(10)</b>	Christian Specialty Retail Stores	LIBOR Plus 10.75% (Floor 1.25%), Current Coupon 12.00%, Secured Debt (Maturity November 14, 2017)(9)	5,550	5,459	5,437
<b>FishNet Security, Inc.(11)</b>	Information Technology Value-Added Reseller	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)	7,920	7,856	7,965
<b>Fram Group Holdings, Inc.(11)</b>	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00% (Floor 1.50%), Current Coupon 6.50%, Secured Debt (Maturity July 31, 2017)(9) LIBOR Plus 9.00% (Floor 1.50%), Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	964 1,000	961 996	958 953
<b>Gastar Exploration USA, Inc.(11)</b>	Oil & Gas Exploration & Production	8.63% Secured Bond (Maturity May 15, 2018)	1,000	1,000	983
<b>Getty Images, Inc.(11)</b>	Digital Photography and Video Content Marketplace	LIBOR Plus 3.50% (Floor 1.25%), Current Coupon 4.75%, Secured Debt (Maturity October 18, 2019)(9)	4,987	4,501	4,665
<b>Golden Nugget, Inc.(11)</b>	Owner & Operator of Hotels & Casinos	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity November 21, 2019)(9)	1,400	1,380	1,424
<b>Grupo Hima San Pablo, Inc.(11)</b>	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9) 13.75% Secured Debt (Maturity July 31, 2018)	4,963 2,000	4,877 1,911	4,714 1,900
<b>Healogics, Inc.(11)</b>	Wound Care Management			6,788	6,614

Edgar Filing: Main Street Capital CORP - Form 497

Common Stock (43,478 shares)(8)  
S-131

50

50

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>iEnergizer Limited(11)(13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)	8,150	8,020	8,028
<b>Inn of the Mountain Gods Resort and Casino(11)</b>	Hotel & Casino	9.25% Secured Debt (Maturity November 30, 2020)	4,096	3,901	3,953
<b>Ipreo Holdings LLC(11)</b>	Application Software for Capital Markets	LIBOR Plus 4.00% (Floor 1.00%), Current Coupon 5.00%, Secured Debt (Maturity August 5, 2017)(9)	5,637	5,630	5,721
<b>Ivy Hill Middle Market Credit Fund III, Ltd.(12)(13)</b>	Investment Partnership	LIBOR Plus 6.50% (Floor 0.28%), Current Coupon 6.78%, Secured Debt (Maturity January 15, 2022)(9)	2,000	1,704	2,000
<b>Jackson Hewitt Tax Service Inc.(11)</b>	Tax Preparation Services	LIBOR Plus 8.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9)	4,844	4,688	4,820
<b>Joerns Healthcare, LLC(11)</b>	Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity March 28, 2018)(9)	6,451	6,395	6,322
<b>Keypoint Government Solutions, Inc.(11)</b>	Pre-Employment Screening Services	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 13, 2017)(9)	4,483	4,411	4,439
<b>Larchmont Resources, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity August 7, 2019)(9)	6,965	6,899	7,096
<b>Learning Care Group (US) No. 2 Inc.(11)</b>	Provider of Early Childhood Education	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity May 8, 2019)(9)	5,486	5,436	5,521

S-132

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
LJ Host Merger Sub, Inc.(11)	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity December 23, 2019)(9)	10,000	9,901	9,950
		LIBOR Plus 8.75% (Floor 1.25%), Current Coupon 10.00%, Secured Debt (Maturity December 23, 2020)(9)	5,000	4,901	4,975
				14,802	14,925
LKCM Distribution Holdings, L.P.	Distributor of Industrial Process Equipment	12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)	16,506	16,342	16,342
LKCM Headwater Investments I, L.P.(12)(13)	Investment Partnership	LP Interests (Fully diluted 2.3%)(8)		1,500	3,033
MAH Merger Corporation(11)	Sports-Themed Casual Dining Chain	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)	7,350	7,277	7,313
Media Holdings, LLC(11)(13)	Internet Traffic Generator	14% Secured Debt (Maturity October 18, 2018)	5,894	5,781	5,952
MediMedia USA, Inc.(11)	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity November 20, 2018)(9)	5,473	5,339	5,351
Medpace Intermediateco, Inc.(11)	Clinical Trial Development and Execution	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity June 19, 2017)(9)	2,924	2,896	2,924
MedSolutions Holdings, Inc.(11)	Specialty Benefit Management	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity July 8, 2019)(9)	3,900	3,864	3,912
Metal Services LLC(11)	Steel Mill Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity June 30, 2017)(9)	5,313	5,313	5,365
Milk Specialties Company(11)	Processor of Nutrition Products	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity November 9, 2018)(9)	4,905	4,863	4,911

S-133





Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2013****(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Miramax Film NY, LLC(11)</b>	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	871
<b>Modern VideoFilm, Inc.(10)</b>	Post-Production Film Studio	LIBOR Plus 3.50% (Floor 1.50%), Current Coupon 5.00% / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity December 19, 2017)(9) Warrants (1,375 equivalent shares)	5,397	5,198 151	4,749 1
				5,349	4,750
<b>MP Assets Corporation(11)</b>	Manufacturer of Battery Components	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity December 19, 2019)(9)	4,600	4,554	4,589
<b>National Vision, Inc.(11)</b>	Discount Optical Retailer	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity August 2, 2018)(9)	3,163	3,125	3,173
<b>NCP Investment Holdings, Inc.</b>	Management of Outpatient Cardiac Cath Labs	Class A and C Units (2,474,075 units)		20	3,170
<b>NGPL PipeCo, LLC(11)</b>	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity September 15, 2017)(9)	9,805	9,660	9,163
<b>Nice-Pak Products, Inc.(11)</b>	Pre-Moistened Wipes Manufacturer	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity June 18, 2014)(9)	5,701	5,650	5,530
<b>North American Breweries Holdings, LLC(11)</b>	Operator of Specialty Breweries	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity December 11, 2018)(9)	3,960	3,892	3,881
<b>NRC US Holding Company LLC(11)</b>	Environmental Services Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity July 30, 2019)(9)	3,413	3,396	3,421

S-134

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Nuverra Environmental Solutions, Inc.(11)(13)	Water Treatment and Disposal Services	9.88% Unsecured Bond (Maturity April 15, 2018)	3,500	3,500	3,413
Ospemifene Royalty Sub LLC (QuatRx)(10)	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity November 15, 2026)	5,000	5,000	5,000
Panolam Industries International, Inc.(11)	Decorative Laminate Manufacturer	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity August 23, 2017)(9)	7,499	7,435	7,255
Permian Holdings, Inc.(11)	Storage Tank Manufacturer	10.5% Secured Bond (Maturity January 15, 2018)	3,150	3,116	3,103
Philadelphia Energy Solutions Refining and Marketing LLC(11)	Oil & Gas Refiner	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 4, 2018)(9)	2,978	2,939	2,625
Pitney Bowes Management Services Inc.(11)	Provider of Document Management Services	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity October 1, 2019)(9)	5,985	5,927	6,030
Polyconcept Financial B.V.(11)	Promotional Products to Corporations and Consumers	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	3,413	3,381	3,425
Primesight Limited(10)(13)	Outdoor Advertising Operator	11.25% Secured Debt (Maturity October 17, 2015)	7,378	7,378	8,163
PT Network, LLC(10)	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity November 1, 2018)(9)	8,597	8,499	8,499
Radio One, Inc.(11)	Radio Broadcasting	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 31, 2016)(9)	2,902	2,873	2,977

S-135

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Ravago Holdings America, Inc.(11)</b>	Polymers Distributor	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 20, 2020)(9)	6,250	6,188	6,266
<b>Relativity Media, LLC(10)</b>	Full-scale Film and Television Production and Distribution	10% Secured Debt (Maturity May 24, 2015) 15% PIK Secured Debt (Maturity May 24, 2015) Class A Units (260,194 units)	5,787 6,370	5,739 6,189 292	6,026 6,449 1,521
				12,220	13,996
<b>Sabre Industries, Inc.(11)</b>	Manufacturer of Telecom Structures and Equipment	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 24, 2018)(9)	2,975	2,948	2,975
<b>SAExploration, Inc.(10)(13)</b>	Geophysical Services Provider	11% Current / 2.5% PIK Secured Debt (Maturity November 28, 2016) Common Stock (6,186 shares)(8)	8,075	8,173 65	8,075 55
				8,238	8,130
<b>SCE Partners, LLC(10)</b>	Hotel & Casino Operator	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 8, 2019)(9)	7,500	7,429	6,975
<b>Sotera Defense Solutions, Inc.(11)</b>	Defense Industry Intelligence Services	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity April 21, 2017)(9)	11,651	11,086	10,486
<b>Sourcehov LLC(11)</b>	Business Process Services	LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity April 30, 2019)(9)	1,500	1,486	1,523
<b>Sutherland Global Services, Inc.(11)</b>	Business Process Outsourcing Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity March 6, 2019)(9)	6,738	6,619	6,754
<b>Synagro Infrastructure Company, Inc(11)</b>	Waste Management Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)	6,983	6,849	6,924

S-136



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Targus Group International(11)</b>	Protective Cases for Mobile Devices	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity May 24, 2016)(9)	4,426	4,445	3,696
<b>Technimark LLC(11)</b>	Injection Molding	LIBOR Plus 4.25% (Floor 1.25%), Current Coupon 5.50%, Secured Debt (Maturity April 17, 2019)(9)	3,734	3,701	3,753
<b>TeleGuam Holdings, LLC(11)</b>	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9)	6,965 2,500	6,933 2,477	6,948 2,513
<b>Templar Energy LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity November 25, 2020)(9)	3,000	2,941	3,017
<b>Tervita Corporation(11)(13)</b>	Oil and Gas Environmental Services	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity May 15, 2018)(9)	5,474	5,427	5,507
<b>The Tennis Channel, Inc.(10)</b>	Television-Based Sports Broadcasting	Warrants (114,316 equivalent shares)		235	301
<b>The Topps Company, Inc.(11)</b>	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2018)(9)	2,000	1,981	2,005
<b>ThermaSys Corporation(11)</b>	Manufacturer of Industrial Heat Exchanges	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity May 3, 2019)(9)	6,395	6,336	6,326
<b>Therakos, Inc.(11)</b>	Immune System Disease Treatment	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity December 27, 2017)(9)	6,446	6,314	6,470

S-137

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Totes Isotoner Corporation(11)</b>	Weather Accessory Retail	LIBOR Plus 5.75% (Floor 1.50%), Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(9)	4,275	4,228	4,299
<b>Travel Leaders Group, LLC(11)</b>	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 5, 2018)(9)	7,500	7,352	7,406
<b>UniTek Global Services, Inc.(11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity April 15, 2018)(9) Warrants (267,302 equivalent shares)	10,034	9,328 466	10,016 450
				9,794	10,466
<b>Universal Fiber Systems, LLC(10)</b>	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75% (Floor 1.75%), Current Coupon 7.50%, Secured Debt (Maturity June 26, 2015)(9)	10,192	10,141	10,243
<b>US Xpress Enterprises, Inc.(11)</b>	Truckload Carrier	LIBOR Plus 7.88% (Floor 1.50%), Current Coupon 9.38%, Secured Debt (Maturity November 13, 2016)(9)	6,078	5,985	6,048
<b>Vantage Oncology, LLC(11)</b>	Outpatient Radiation Oncology Treatment Centers	9.5% Secured Bond (Maturity August 7, 2017)	7,000	7,000	7,175
<b>Virtex Enterprises, LP(10)</b>	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity December 27, 2018) Preferred Class A Units (14 shares; 5% cumulative)(8) Warrants (11 equivalent units)	1,667	1,612 327 22	1,612 327 22
				1,961	1,961
<b>Visant Corporation(11)</b>	School Affinity Stores	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(9)	3,882	3,882	3,837

S-138

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Vision Solutions, Inc.(11)	Provider of Information Availability Software	LIBOR Plus 4.50% (Floor 1.50%), Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(9)	2,348	2,235	2,347
		LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	5,000	4,969	5,050
				7,204	7,397
Walker & Dunlop Inc.(11)(13)	Real Estate Financial Services	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 20, 2020)(9)	4,250	4,208	4,229
Western Dental Services, Inc.(11)	Dental Care Services	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity November 1, 2018)(9)	4,950	4,825	4,996
Willbros Group, Inc.(11)(13)	Engineering and Construction Contractor	LIBOR Plus 9.75% (Floor 1.25%), Current Coupon 11.00%, Secured Debt (Maturity August 5, 2019)(9)	2,993	2,893	3,037
Wilton Brands LLC(11)	Specialty Housewares Retailer	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity August 30, 2018)(9)	1,875	1,844	1,792
Wireco Worldgroup Inc.(11)	Manufacturer of Synthetic Lifting Products	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity February 15, 2017)(9)	2,469	2,451	2,492
YP Holdings LLC(11)	Online and Offline Advertising Operator	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity June 4, 2018)(9)	2,800	2,737	2,834
Zilliant Incorporated	Price Optimization and Margin Management Solutions	12% Secured Debt (Maturity June 15, 2017) Warrants (952,500 equivalent shares)	8,000	7,056 1,071	7,056 1,071
				8,127	8,127
<b>Subtotal Non-Control/Non-Affiliate Investments (50.9% of total investments at fair value)</b>				643,068	661,102
<b>Total Portfolio Investments, December 31, 2013</b>				1,163,071	1,286,188

S-139

---



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>					
	Investments in Marketable Securities and Diversified, Registered Bond Funds				
<b>Other Marketable Securities and Idle Funds Investments(13)</b>				14,885	13,301
<b>Subtotal Marketable Securities and Idle Funds Investments (1.0% of total investments at fair value)</b>				14,885	13,301
<b>Total Investments, December 31, 2013</b>				\$ 1,177,956	\$ 1,299,489

- 
- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. Substantially all of the Company's assets are encumbered either as security for the Company's credit agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. 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) Private Loan portfolio investment. See Note B for a summary of Private Loan portfolio investments.
- (11)

## Edgar Filing: Main Street Capital CORP - Form 497

Middle Market portfolio investment. See Note B for a summary of Middle Market portfolio investments.

(12)

Other Portfolio investment. See Note B for a summary of Other Portfolio investments.

(13)

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.

(14)

Non-accrual and non-income producing investment.

(15)

External Investment Manager.

S-140

---

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION**

**1. Organization**

Main Street Capital Corporation ("MSCC") was formed in March 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, (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Internal 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 Internal Investment Manager acts as MSMF's manager and investment adviser. Because the Internal 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 Internal Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

During January 2010, MSCC acquired (the "Exchange Offer") 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") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries ("External Parties") and receive fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission ("SEC") to allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"). The External Investment Manager is accounted for as a portfolio investment of MSCC, since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or its portfolio companies.

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.

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. Each of the Investment Managers is also a direct wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries and the Investment Managers are each taxed at their normal corporate tax rates based on their taxable income.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

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, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager (see Note A.2. for further discussion).

**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 each of the periods presented herein, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries (which, as noted above and discussed in detail below, include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, include the Internal Investment Manager which was previously treated as a portfolio investment). The Investment Portfolio, as used herein, refers to all of Main Street's investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Composition Portfolio Investment Composition for additional discussion of Main Street's Investment Portfolio and definitions for the terms LMM, Middle Market, Private Loan and Other Portfolio). For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see Note D) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other 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 Schedules of Investments due to the nature of such investments (see Note B.11.). Main Street's results of operations and cash flows for the years ended December 31, 2014, 2013 and 2012 and financial position as of December 31, 2014 and 2013 are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

Under the regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services Investment Companies* ("ASC 946"), 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 ASC 946 occurs if Main Street holds a controlling interest in an operating company that provides all or substantially all of its services directly to Main Street or to its portfolio companies. None of the portfolio investments made by Main Street qualify for this exception, including the investment in the External Investment Manager, except as discussed below with respect to the Internal Investment Manager. Therefore, Main Street's Investment Portfolio is 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 consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)." For all periods prior to and including March 31,

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

2013, the Internal Investment Manager was accounted for as a portfolio investment and included as part of the Investment Portfolio in the consolidated financial statements of Main Street (see Note D for further discussion of the Internal Investment Manager). The Internal Investment Manager was consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013 as the controlled operating subsidiary is providing substantially all of its services directly or indirectly to Main Street or its portfolio companies.

*Portfolio Investment Classification*

Main Street classifies its Investment Portfolio 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.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Valuation of the Investment Portfolio**

Main Street accounts for its Investment Portfolio at fair value. As a result, Main Street follows the provisions of the Financial Accounting Standards Board ("FASB") 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.

Main Street's portfolio strategy calls for it to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. Main Street categorizes some of its investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities issued by companies that are consistent in size with either the LMM companies or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the investments made in its LMM portfolio or Middle Market portfolio. Main Street's portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for its LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Main Street's portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. Main Street determines in good faith the fair value of its Investment

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Portfolio 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. Main Street's valuation policies and processes are intended to provide a consistent basis for determining the fair value of Main Street's Investment Portfolio.

For LMM portfolio investments, Main Street generally reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process by using an enterprise value waterfall methodology ("Waterfall") for its LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for its LMM debt investments. For Middle Market portfolio investments, Main Street primarily uses quoted prices in the valuation process. Main Street determines the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on its understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. For Middle Market and Private Loan portfolio investments in debt securities for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For its Other Portfolio equity investments, Main Street generally calculates the fair value of the investment primarily based on the net asset value ("NAV") of the fund. All of the valuation approaches for Main Street's portfolio investments estimate the value of the investment as if Main Street were to sell, or exit, the investment as of the measurement date.

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, "control" portfolio investments are composed of debt and equity securities in companies for which Main Street has a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. For valuation purposes, "non-control" portfolio investments are generally composed of debt and equity securities in companies for which Main Street does not have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors.

Under the Waterfall valuation method, Main Street estimates the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then performs a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. 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. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, Main Street also analyzes the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, 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. In applying the Waterfall valuation method, Main Street assumes the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which Main Street believes is consistent with its past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, Main Street also uses the income approach to determine the fair value of debt securities based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of the portfolio investments. Main Street's estimate of the expected repayment date of its debt securities is generally the legal maturity date of the instrument, as Main Street generally intends to hold its loans and debt securities to maturity. The Yield-to-Maturity analysis also considers changes in leverage levels, credit quality, portfolio company performance and other factors. Main Street will generally use the value determined by the Yield-to-Maturity 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 principal amount of the debt security valued using the Yield-to-Maturity valuation method. A change in the assumptions that Main Street uses to estimate the fair value of its debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, Main Street may consider other factors in determining the fair value of the 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.

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, Main Street measures the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, Main Street may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of Main Street's investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding Main Street's ability to realize the full NAV of its interests in the investment fund.

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 quarterly. 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 financial advisory services firm. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each LMM portfolio company at least once 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

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 financial advisory services firm 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 financial advisory services firm in arriving at Main Street's determination of fair value on its investments in a total of 52 LMM portfolio companies for the year ended December 31, 2014, representing approximately 83% of the total LMM portfolio at fair value as of December 31, 2014, and on a total of 50 LMM portfolio companies for the year ended December 31, 2013, representing approximately 76% of the total LMM portfolio at fair value as of December 31, 2014. Excluding investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of December 31, 2014 and 2013, as applicable, and investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed by our independent financial advisory services firm for the year ended December 31, 2014 and 2013 was 99% and 100% of the total LMM portfolio at fair value as of December 31, 2014 and 2013, respectively.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, Main Street uses observable inputs to determine the fair value of these investments through obtaining third-party quotes or other independent pricing. For Middle Market portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method.

For valuation purposes, all of Main Street's Private Loan portfolio investments are non-control investments. For Private Loan portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Private Loan debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Private Loan equity investments in a current hypothetical sale using the Waterfall valuation method.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised approximately 3.8% and 3.3%, respectively, of Main Street's Investment Portfolio at fair value as of December 31, 2014 and 2013. 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 generally determines the fair value of its investments using the NAV valuation method. For Other Portfolio debt investments, Main Street generally determines the fair value of these investments through obtaining third-party quotes or other independent pricing to the extent that these inputs are available and appropriate to determine fair value. For Other Portfolio debt investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method.

For valuation purposes, Main Street's investment in the External Investment Manager is a control investment. Market quotations are not readily available for this investment, and as a result, Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the market approach. In estimating the enterprise value, Main Street analyzes various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market multiples. This valuation approach estimates the value of the investment as if Main Street were to sell, or exit, the investment. In addition, Main Street considers the value associated with Main Street's ability to control the capital structure of the company, as well as the timing of a potential exit.

Due to the inherent uncertainty in the valuation process, Main Street's determination of fair value for its Investment Portfolio may differ materially from the values that would have been determined 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 and 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 overseeing, reviewing and approving, in good faith, Main Street's determination of the fair value for its Investment Portfolio, as well as its valuation procedures, consistent with 1940 Act requirements. Main Street believes its Investment Portfolio as of December 31, 2014 and 2013 approximates fair value as of those dates based on the markets in which Main Street operates and other conditions in existence on those reporting dates.

**2. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates under different conditions or assumptions. Additionally, as explained in Note B.1., the financial statements include investments in the Investment Portfolio whose values have been estimated by Main Street with the oversight, review and approval by Main Street's Board of Directors in the absence of readily ascertainable market values. Because of the inherent uncertainty of the Investment Portfolio valuations, those estimated values may differ significantly from the values that would have been determined had a readily available market for the investments existed, and it is reasonably possible that the differences could be material.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at cost, which approximates fair value.

At December 31, 2014, cash balances totaling \$57.5 million exceeded Federal Deposit Insurance Corporation insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

**4. Marketable Securities and Idle Funds Investments**

Marketable securities and idle funds investments include intermediate-term secured debt investments, independently rated debt investments and publicly traded debt and equity investments. See the "Consolidated Schedule of Investments" for more information on Marketable securities and idle funds investments.

**5. Interest, Dividend and Fee Income (Structuring and Advisory Services)**

Main Street records interest and dividend income on the accrual basis to the extent amounts are expected to be collected. Dividend income is recorded as dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. In accordance with Main Street's valuation policy, Main Street evaluates accrued interest and dividend income 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, Main Street removes it from non-accrual status.

Main Street holds debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed in Note B.9. 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. Main Street stops accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2014, 2013 and 2012, (i) approximately 3.3%, 4.3% and 4.3%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.3%, 1.2% and 0.3%, respectively, of Main

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of December 31, 2014, Main Street's total Investment Portfolio had five investments with positive fair value on non-accrual status, which comprised approximately 1.7% of its fair value and 4.7% of its cost, and no fully impaired investments. As of December 31, 2013, Main Street's total Investment Portfolio had two investments with positive fair value on non-accrual status, which comprised approximately 2.3% of its fair value and 4.7% of its cost, and no fully impaired investments.

Main Street may periodically provide services, including structuring and advisory services, to its portfolio companies or other third parties. 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 deferred and accreted into interest income over the life of the financing.

A presentation of the investment income Main Street received from its Investment Portfolio in each of the periods presented is as follows:

	Years Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Interest, fee and dividend income:			
Interest income	\$ 110,362	\$ 94,546	\$ 72,074
Dividend income	22,235	14,124	10,211
Fee income	7,342	6,488	6,573
Total interest, fee and dividend income	\$ 139,939	\$ 115,158	\$ 88,858

**6. Deferred Financing Costs**

Deferred financing costs include SBIC debenture commitment fees and SBIC debenture leverage fees on the SBIC debentures which are not accounted for under the fair value option under ASC 825 (as discussed further in Note B.11.). These fees are approximately 3.4% of the total commitment and draw amounts, as applicable. These deferred financing costs have been capitalized and are being amortized into interest expense over the ten year term of each debenture agreement.

Deferred financing costs also include commitment fees and other costs related to Main Street's multi-year investment credit facility (the "Credit Facility", as discussed further in Note G) and its notes (as discussed further in Note H). These costs have been capitalized and are amortized into interest expense over the term of the individual instrument.

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

Main Street capitalizes 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.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 based on amounts negotiated with the particular portfolio company. The allocated amounts are based upon the fair value of the nominal cost equity, which is then used to determine the allocation of cost to the debt security. 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 investment. 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. In the case of a purchase at a discount, Main Street records the investment at 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. In the case of a purchase at a premium, Main Street records the investment at the par value of the debt security plus the premium, and the premium is amortized as a reduction to interest income based on the effective interest method over the life of the debt investment.

To maintain RIC tax treatment (as discussed below in Note B.9.), 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 years ended December 31, 2014, 2013 and 2012, approximately 3.1%, 3.3% and 3.7%, respectively, of Main Street's total investment income was attributable to interest income for the accretion of discounts associated with debt investments, net of any premium reduction.

**8. 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 the fair value of the awards as share-based compensation expense over the requisite service period or vesting term.

**9. 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 applicable fiscal year.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Taxable Subsidiaries hold certain portfolio investments for 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 as portfolio investments and recorded at fair value. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes and continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The taxable income, or loss, of the Internal Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. Through March 31, 2013, the Internal Investment Manager provided for any income tax expense, or benefit, and any related tax assets or liabilities, in its separate financial statements. Beginning April 1, 2013, the Internal Investment Manager is included in Main Street's consolidated financial statements and reflected as a consolidated subsidiary and any income tax expense, or benefit, and any related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

The Taxable Subsidiaries and the Internal Investment Manager 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.

**10. Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation**

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment or a financial instrument and the cost basis of the investment or financial instrument, 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 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 and financial instruments to realized gains or losses.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. 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, payables and other liabilities approximate the fair values of such items due to the short term nature of these instruments. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities, independently rated debt investments, diversified bond funds and publicly traded debt and equity investments and the fair value determination for these investments under the provisions of ASC 820 generally consists of Level 1 and 2 observable inputs, similar in nature to those discussed further in Note C.

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 the MSC II SBIC debentures acquired (the "Acquired Debentures") as part of the acquisition accounting related to the Exchange Offer and values those obligations as discussed further in Note C. In order to provide for a more consistent basis of presentation, Main Street has continued to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. When 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.

**12. 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. In accordance with ASC 260, *Earnings Per Share*, the unvested shares of restricted stock awarded pursuant to Main Street's equity compensation plans are participating securities and are 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 for the periods prior to March 31, 2012, the net earnings of MSC II attributable to the remaining noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II for the periods prior to March 31, 2012. During the first quarter of 2012, MSCC completed the Final MSC II Exchange to acquire the entire 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

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

related to the noncontrolling interest in MSC II that remained owned by non-Main Street entities for the year ended December 31, 2012.

	Year Ended December 31, 2012
	(in thousands)
Net Investment Income	\$ 59,325
Noncontrolling interest share of Net Investment Income	(62)
Net Investment Income attributable to common stock	59,263
Total net realized gain from investments	16,479
Noncontrolling interest share of net realized (gain) from investments	(3)
Net Realized Income attributable to common stock	\$ 75,739
Net Investment Income per share	
Basic and diluted	\$ 2.01
Net Realized Income per share	
Basic and diluted	\$ 2.56
Weighted average shares outstanding	
Basic and diluted	29,540,114

**13. Recently Issued or Adopted Accounting Standards**

In February 2013, the FASB issued Accounting Standards Update ("ASU") 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* ("ASU 2013-04"). ASU 2013-04 provides additional guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. Public companies are required to apply ASU 2013-04 prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of this standard did not have a material effect on Main Street's consolidated financial statements.

In June 2013, the FASB issued ASU 2013-08, *Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements* ("ASU 2013-08"). ASU 2013-08 amends the criteria that define an investment company, clarifies the measurement guidance and requires certain additional disclosures. Public companies are required to apply ASU 2013-08 prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of this standard did not have a material effect on Main Street's consolidated financial statements.

## Edgar Filing: Main Street Capital CORP - Form 497

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and

S-153

---



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of this standard did not have a material effect on Main Street's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. The new Guidance is effective for the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is currently being evaluated.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by Main Street as of the specified effective date. Main Street believes that the impact of recently issued standards and any that are not yet effective will not have a material impact on its financial statements upon adoption.

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION**

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

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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 tables 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. During the classification process, Main Street may determine that it is appropriate to transfer investments between fair value hierarchy Levels. These transfers occur when Main Street has concluded that it is appropriate for the classification of an individual asset to be changed due to a change in the factors used to determine the selection of the Level. Any such changes are deemed to be effective during the quarter in which the transfer occurs.

As of December 31, 2014 and 2013, all except for one of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The remaining investment was a publicly traded equity security. As a result, the fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. The fair value determination for the publicly traded equity security consisted of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of December 31, 2014 and 2013, except for the one publicly traded equity security which was categorized as Level 2.

As of December 31, 2014, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Middle Market portfolio investments were categorized as Level 3 as of December 31, 2014. As of December 31, 2013, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value of these investments, observable inputs in the non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, a portion of Main Street's Middle Market portfolio investments were categorized as Level 2 as of December 31, 2013. For those Middle Market portfolio investments for which sufficient observable inputs were not available to determine fair value of the investments, Main Street categorized such investments as Level 3 as of December 31, 2013.

As of December 31, 2014 and 2013, Main Street's Private Loan portfolio investments primarily consisted of investments in interest-bearing secured debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Private Loan portfolio investments were categorized as Level 3 as of December 31, 2014 and 2013.

As of December 31, 2013, Main Street's Other Portfolio debt investments consisted of investments in secured debt investments. The fair value determination for Other Portfolio debt investments consisted of observable inputs in non-active markets and, as such, were categorized as Level 2 as of December 31, 2013. There were no Other Portfolio debt investments as of December 31, 2014.

As of December 31, 2014 and 2013, 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 December 31, 2014 and 2013.

As of December 31, 2014 and 2013, Main Street's Marketable securities and idle funds investments consisted primarily of investments in publicly traded debt and equity investments. The fair value determination for these investments consisted of a combination of observable inputs in active markets for which sufficient observable inputs were available to determine the fair value of these investments. As a result, all of Main Street's Marketable securities and idle funds investments were categorized as Level 1 as of December 31, 2014 and 2013.

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;

Current and projected financial condition of the portfolio company;

Current and projected ability of the portfolio company to service its debt obligations;

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be appropriate), 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, Middle Market, Private Loan and Other Portfolio debt securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (described in Note B.1. Valuation of the Investment Portfolio) and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) 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 fair values as

Edgar Filing: Main Street Capital CORP - Form 497

determined by independent third parties, which are not presented in the tables below.

S-157

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of December 31, 2014 and 2013:

Type of Investment	Fair Value as of December 31, 2014 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range(3)	Weighted Average(3)
Equity investments	\$ 407,569	Discounted cash flow	Weighted average cost of capital	11.4% - 23.4%	13.9%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.0x - 7.8x(2)	6.4x
Debt investments	\$ 557,604	Discounted cash flow	Risk adjusted discount factor	7.5% - 15.8%(2)	12.1%
			Expected principal recovery percentage	42.0% - 100.0%	99.3%
Debt investments	\$ 589,677	Market approach	Third party quote	60.1 - 102.3	
Total Level 3 investments	\$ 1,554,850				

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 17.5x and the range for risk adjusted discount factor is 6.0% - 32.0%.

(3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

Type of Investment	Fair Value as of December 31, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range(3)	Weighted Average(3)
Equity investments	\$ 307,322	Discounted cash flow	Weighted average cost of capital	11.1% - 19.0%	14.3%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.0x - 7.2x(2)	6.0x
Debt investments	\$ 467,396	Discounted cash flow	Risk adjusted discount factor	6.5% - 26.4%(2)	14.3%
			Expected principal recovery percentage	66.9% - 100.0%	97.8%

## Edgar Filing: Main Street Capital CORP - Form 497

Debt investments		Market	Third party quote	82.3 - 102.9
	\$ 430,172	approach		
Total Level 3 investments	\$ 1,204,890			

---

- (1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.
- (2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 11.5x and the range for risk adjusted discount factor is 6.5% - 96.0%.
- (3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

S-158

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

The following tables provide a summary of changes in fair value of Main Street's Level 3 portfolio investments for the years ended December 31, 2014 and 2013 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2013	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of December 31, 2014
Debt	\$ 897,568	\$ 55,102	\$ (525,138)	\$ 753,965	\$ 8,071	\$ (36,590)	\$ (5,697)	\$ 1,147,281
Equity	270,764		(16,460)	72,289	(5,212)	65,515	5,037	391,933
Equity Warrant	36,558		(1,537)	1,080	(13,113)	(7,435)	83	15,636
	\$ 1,204,890	\$ 55,102	\$ (543,135)	\$ 827,334	\$ (10,254)	\$ 21,490	\$ (577)	\$ 1,554,850

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

Type of Investment	Fair Value as of December 31, 2012	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of December 31, 2013
Debt	477,272	47,903	(247,820)	635,392	4,128	(21,770)	2,463	897,568
Equity	191,764		(6,113)	52,086	(9,003)	40,191	1,839	270,764
Equity Warrant	28,595	314	(2,259)	9,048	(864)	3,357	(1,633)	36,558
	\$ 697,631	\$ 48,217	\$ (256,192)	\$ 696,526	\$ (5,739)	\$ 21,778	\$ 2,669	\$ 1,204,890

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

As of December 31, 2014 and 2013, 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-to-Maturity 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.

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-to-Maturity valuation inputs in isolation would result in a significantly lower (higher) fair value measurement.



## Edgar Filing: Main Street Capital CORP - Form 497

During 2014, Main Street received an investment grade credit rating of BBB with a stable outlook. This rating was included in our analysis of the estimated market rates which are used as inputs in the valuation of the SBIC debentures and affected the range of these inputs in comparison to previous periods. The following tables provide a summary of the significant unobservable inputs used to fair

S-159

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

value Main Street's Level 3 SBIC debentures as of December 31, 2014 and 2013 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2014	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC debentures	\$ 72,981	Discounted cash flow	Estimated market interest rates	4.6% - 6.0%	5.3%

Type of Instrument	Fair Value as of December 31, 2013	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC debentures	\$ 62,050	Discounted cash flow	Estimated market interest rates	8.5% - 9.1%	8.9%

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the years ended December 31, 2014 and 2013 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2013	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2014
SBIC debentures at fair value	\$ 62,050	\$	\$	\$ 10,931	\$ 72,981

Type of Instrument	Fair Value as of December 31, 2012	Repayments	Net Realized Loss	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2013
SBIC debentures at fair value	\$ 86,467	\$ (24,800)	\$ 4,775	\$	\$ (4,392)	\$ 62,050

At December 31, 2014 and 2013, 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)			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At December 31, 2014</b>				
LMM portfolio investments	\$ 733,191	\$	\$ 8,480	\$ 724,711
Middle Market portfolio investments	542,688			542,688
Private Loan portfolio investments	213,015			213,015
Other Portfolio investments	58,856			58,856

Edgar Filing: Main Street Capital CORP - Form 497

External Investment Manager	15,580			15,580
Total portfolio investments	1,563,330		8,480	1,554,850
Marketable securities and idle funds investments	9,067	9,067		
Total investments	\$ 1,572,397	\$ 9,067	\$ 8,480	\$ 1,554,850
SBIC debentures at fair value	\$ 72,981	\$	\$	\$ 72,981

S-160

---

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

At December 31, 2013	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	\$ 659,405	\$	\$ 10,235	\$ 649,170
Middle Market portfolio investments	471,458		69,063	402,395
Private Loan portfolio investments	111,463			111,463
Other Portfolio investments	42,798		2,000	40,798
External Investment Manager	1,064			1,064
Total portfolio investments	1,286,188		81,298	1,204,890
Marketable securities and idle funds investments	13,301	13,301		
Total investments	\$ 1,299,489	\$ 13,301	\$ 81,298	\$ 1,204,890
SBIC debentures at fair value	\$ 62,050	\$	\$	\$ 62,050

**Investment Portfolio Composition**

Main Street's lower middle market ("LMM") portfolio investments primarily 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 \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, Main Street 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 investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the 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 portfolio company and typically have a term of between three and seven years from the original investment date.

Main Street's Private Loan ("Private Loan") portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in its LMM portfolio or its Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Main Street's Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

Main Street's other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM, Middle Market and Private Loan 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.

Main Street's external asset management business is conducted through its External Investment Manager. Main Street has entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, Main Street provides management and other services to the External Investment Manager, as well as access to Main Street's employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, Main Street began charging the External Investment Manager for these services. Main Street's total expenses for the year ended December 31, 2014 are net of expenses of \$2.0 million charged to the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

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 also be highly concentrated among several portfolio companies. For the years ended December 31, 2014, 2013 and 2012, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of December 31, 2014, Main Street had debt and equity investments in 66 LMM portfolio companies with an aggregate fair value of approximately \$733.2 million, with a total cost basis of approximately \$599.4 million, and a weighted average annual effective yield on Main Street's LMM debt investments of approximately 13.2%. As of December 31, 2014, approximately 72% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 90% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2014, Main Street had equity ownership in approximately 95% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2013, Main Street had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on its LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2013, Main Street had equity ownership in approximately 94% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

As of December 31, 2014, Main Street had Middle Market portfolio investments in 86 companies, collectively totaling approximately \$542.7 million in fair value with a total cost basis of approximately \$561.8 million. The weighted average EBITDA for the 86 Middle Market portfolio companies was approximately \$77.2 million as of December 31, 2014. As of December 31, 2014, substantially all of Main Street's Middle Market portfolio investments were in the form of debt investments and approximately 85% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2014. As of December 31, 2013, Main Street had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio companies was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of its Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2014, Main Street had Private Loan portfolio investments in 31 companies, collectively totaling approximately \$213.0 million in fair value with a total cost basis of approximately \$224.0 million. The weighted average EBITDA for the 31 Private Loan portfolio companies was approximately \$18.1 million as of December 31, 2014. As of December 31, 2014, approximately 96% of Main Street's Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Private Loan portfolio debt investments was approximately 10.1% as of December 31, 2014. As of December 31, 2013, Main Street had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio companies was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, approximately 95% of its Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2014, Main Street had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of Main Street's Investment Portfolio at fair value as of December 31, 2014. As of December 31, 2013, Main Street had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

\$40.1 million in cost basis and which comprised approximately 3.3% of Main Street's Investment Portfolio at fair value as of December 31, 2013.

As discussed further in Note A.1., Main Street holds an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of Main Street's Investment Portfolio at fair value. As of December 31, 2013, there was no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of Main Street's Investment Portfolio at fair value.

The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager).

<b>Cost:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
First lien debt	75.7%	79.0%
Equity	11.6%	10.4%
Second lien debt	10.0%	8.4%
Equity warrants	1.5%	1.9%
Other	1.2%	0.3%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
First lien debt	66.9%	69.9%
Equity	21.9%	19.3%
Second lien debt	9.2%	7.6%
Equity warrants	1.0%	2.9%
Other	1.0%	0.3%
	100.0%	100.0%

The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States and other countries at cost and fair value as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2014 and 2013 (this information excludes the Other Portfolio

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

investments and the External Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Southwest	29.6%	27.8%
Northeast	19.9%	18.0%
West	18.7%	19.1%
Southeast	15.4%	15.6%
Midwest	13.5%	15.4%
Canada	0.7%	1.2%
Other Non-United States	2.2%	2.9%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Southwest	33.7%	30.9%
West	20.4%	20.1%
Northeast	18.3%	17.6%
Midwest	12.7%	15.0%
Southeast	12.4%	12.6%
Canada	0.6%	1.1%
Other Non-United States	1.9%	2.7%
	100.0%	100.0%

Main Street's LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by industry at cost and fair value



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

as of December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager).

<b>Cost:</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Media	8.3%	7.8%
Energy Equipment & Services	8.3%	10.7%
Machinery	6.5%	3.3%
IT Services	5.9%	6.1%
Hotels, Restaurants & Leisure	5.6%	5.8%
Software	5.4%	3.8%
Construction & Engineering	5.3%	4.1%
Health Care Providers & Services	4.9%	5.8%
Specialty Retail	4.7%	7.2%
Diversified Telecommunication Services	4.0%	3.3%
Electronic Equipment, Instruments & Components	3.0%	2.3%
Diversified Consumer Services	2.9%	2.4%
Oil, Gas & Consumable Fuels	2.5%	3.2%
Auto Components	2.3%	1.6%
Health Care Equipment & Supplies	2.1%	1.2%
Internet Software & Services	1.9%	2.5%
Road & Rail	1.8%	2.7%
Food Products	1.8%	0.9%
Pharmaceuticals	1.8%	0.6%
Textiles, Apparel & Luxury Goods	1.3%	1.6%
Chemicals	1.3%	1.3%
Aerospace & Defense	1.2%	0.8%
Trading Companies & Distributors	1.2%	1.5%
Professional Services	1.1%	1.4%
Building Products	1.1%	1.4%
Commercial Services & Supplies	1.0%	5.1%
Distributors	1.0%	0.0%
Diversified Financial Services	1.0%	0.4%
Containers & Packaging	0.9%	1.0%
Consumer Finance	0.9%	1.1%
Other(1)	9.0%	9.1%
	100.0%	100.0%

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

Fair Value:	December 31, 2014	December 31, 2013
Machinery	8.1%	5.3%
Energy Equipment & Services	7.9%	10.2%
Media	7.7%	7.6%
Hotels, Restaurants & Leisure	5.6%	5.6%
Construction & Engineering	5.5%	4.6%
Software	5.5%	4.0%
IT Services	5.4%	5.6%
Specialty Retail	4.9%	6.5%
Diversified Consumer Services	4.4%	3.9%
Health Care Providers & Services	4.4%	5.6%
Diversified Telecommunication Services	3.8%	3.6%
Electronic Equipment, Instruments & Components	2.5%	2.4%
Auto Components	2.5%	1.5%
Internet Software & Services	2.3%	2.9%
Road & Rail	2.3%	3.0%
Oil, Gas & Consumable Fuels	1.9%	2.9%
Health Care Equipment & Supplies	1.9%	1.0%
Pharmaceuticals	1.7%	0.6%
Food Products	1.6%	0.8%
Paper & Forest Products	1.2%	1.3%
Textiles, Apparel & Luxury Goods	1.2%	1.4%
Chemicals	1.2%	1.2%
Aerospace & Defense	1.1%	0.7%
Trading Companies & Distributors	1.1%	1.3%
Commercial Services & Supplies	1.0%	4.6%
Professional Services	1.0%	1.2%
Distributors	1.0%	0.0%
Diversified Financial Services	1.0%	0.4%
Building Products	0.9%	1.0%
Other(1)	9.4%	9.3%
	100.0%	100.0%

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

At December 31, 2014 and 2013, Main Street had no portfolio investment that was greater than 10% of the Investment Portfolio at fair value.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE D WHOLLY OWNED INVESTMENT MANAGERS**

**External Investment Manager**

As discussed further above in Note A.1., the External Investment Manager provides investment management and other services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or their portfolio companies.

During May 2012, Main Street entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income Fund, Inc. ("HMS Income"), a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow it to own a registered investment adviser, Main Street assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, Main Street and the External Investment Manager agreed to waive all such fees from the effective date of HMS Income's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither Main Street nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager has not waived the base management fees or incentive fees after December 31, 2013 and, as a result, began accruing such fees on January 1, 2014. During the year ended December 31, 2014, the External Investment Manager earned \$2.8 million of management fees under the sub-advisory agreement with HMS Adviser.

The investment in the External Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street's Board of Directors. Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the market approach (see further discussion in Note B.1.). Any change in fair value of the investment in the External Investment Manager is recognized on Main Street's statement of operations in "Net Change in Unrealized Appreciation (Depreciation) Portfolio investments".

The External Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The External Investment Manager has elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the External Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. The External Investment Manager provides for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements.

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE D WHOLLY OWNED INVESTMENT MANAGERS (Continued)

The Internal Investment Manager provides services to the External Investment Manager and charges the expenses necessary to perform these services to the External Investment Manager generally based on a combination of the direct time spent, new investment origination activity and assets under management, depending on the nature of the expense. For the year ended December 31, 2014, the Internal Investment Manager charged \$2.0 million of total expenses to the External Investment Manager.

Summarized financial information from the separate financial statements of the External Investment Manager as of December 31, 2014 and 2013 and for the year ended December 31, 2014 is as follows:

	As of December 31, 2014 (in thousands)	As of December 31, 2013 (in thousands)
Cash	\$ 130	\$
Accounts receivable HMS Income	1,120	
<b>Total assets</b>	<b>\$ 1,250</b>	<b>\$</b>
Accounts Payable to Internal Investment Manager	\$ 699	\$
Dividend payable to MSCC	253	
Taxes Payable	298	
Equity		
<b>Total liabilities and equity</b>	<b>\$ 1,250</b>	<b>\$</b>

	Year Ended Ended December 31, 2014 (in thousands)
Management fee income	\$ 2,795
Expenses allocated from Internal Investment Manager:	
Salaries, share-based compensation and other personnel costs	(1,479)
Other G&A expenses	(569)
<b>Total allocated expenses</b>	<b>(2,048)</b>
Other direct G&A expenses	(2)
<b>Total expenses</b>	<b>(2,050)</b>
Pre-tax income	745
Tax expense	(298)

Net income	\$	447
------------	----	-----

**Internal Investment Manager**

The Internal Investment Manager is a wholly owned subsidiary of MSCC. However, through March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment since the Internal Investment Manager is not an investment company and since it had historically conducted a

S-169

---

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE D WHOLLY OWNED INVESTMENT MANAGERS (Continued)**

significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or its portfolio companies. Effective April 1, 2013, the Internal Investment Manager was consolidated prospectively as the controlled operating subsidiary is considered to be providing substantially all of its services directly or indirectly to Main Street and its consolidated subsidiaries or their portfolio companies.

The Internal Investment Manager receives recurring investment management and other fees, in addition to a reimbursement of certain expenses, from MSCC and certain direct and indirect wholly owned subsidiaries of MSCC. Through March 31, 2013, the Internal Investment Manager also received certain management, consulting and advisory fees for providing these services to third parties.

As of March 31, 2013 (the last date the Internal Investment Manager was considered to be a portfolio investment for accounting purposes), the fair value of the investment in the Internal Investment Manager was zero. Beginning April 1, 2013, the Internal Investment Manager was fully consolidated with MSCC and its other consolidated subsidiaries in Main Street's consolidated financial statements and, as of April 1, 2013, all assets and liabilities were included in the consolidated balance sheet at fair value.

The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. Through March 31, 2013, the Internal Investment Manager provided for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements. Beginning April 1, 2013, the Internal Investment Manager is included in Main Street's consolidated financial statements and reflected as a consolidated subsidiary and any income tax expense, or benefit, and any tax assets or liabilities are reflected in Main Street's consolidated financial statements.

Pursuant to a historical support services agreement with MSCC, the Internal Investment Manager was reimbursed each quarter by MSCC for its cash operating expenses, less fees that the Internal Investment Manager received from MSC II and third parties, associated with providing investment management and other services to MSCC, its subsidiaries and third parties. Through March 31, 2013, these fees paid by MSC II to the Internal Investment Manager were reflected as "Expenses reimbursed to affiliated Internal Investment Manager" on the consolidated statements of operations along with any additional net costs reimbursed by MSCC and its consolidated subsidiaries to the Internal Investment Manager pursuant to the support services agreement. Beginning April 1, 2013, the expenses of the Internal Investment Manager are included in Main Street's consolidated financial statements, after elimination of any intercompany activity, in the consolidated statements of operations as either compensation expenses or as a part of general and administrative expenses.

In the separate stand-alone financial statements of the Internal Investment Manager as summarized below, as part of the Formation Transactions the Internal Investment Manager recognized an \$18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of "Pushdown" Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase ("SAB 54"). Under SAB 54, push-down accounting is required in "purchase transactions that result in an entity becoming substantially wholly owned." In this case, MSCC acquired 100% of the equity interests in the Internal Investment Manager in the Formation Transactions. Because the \$18 million value attributed to MSCC's investment in the Internal Investment Manager was derived from the long-term, recurring management fees under the investment

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE D WHOLLY OWNED INVESTMENT MANAGERS (Continued)**

advisory agreement with MSC II, the same methodology used to determine the \$18 million valuation of the Internal Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. Through March 31, 2013, amortization expense was recorded by the Internal Investment Manager in its separate financial statements, but this amortization expense was not included in the expenses reimbursed by MSCC to the Internal Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature. Upon consolidation of the Internal Investment Manager, effective April 1, 2013, and for all periods thereafter, the effects of the intangible asset and related amortization expense have been fully eliminated in Main Street's consolidated financial statements.

Summarized financial information from the separate income statement of the Internal Investment Manager through March 31, 2013 is as follows:

	<b>Three Months Ended March 31, 2013</b>	<b>Year Ended December 31, 2012</b>
	<b>(in thousands)</b>	
	<b>(Unaudited)</b>	
Management fee income from MSC II	\$ 776	\$ 2,584
Other management advisory fees		283
<b>Total income</b>	<b>776</b>	<b>2,867</b>
Salaries, benefits and other personnel costs	(2,731)	(9,230)
Occupancy expense	(108)	(340)
Professional expenses	(77)	(129)
Amortization expense intangible asset	(340)	(1,289)
Other expenses	(273)	(1,253)
Expense reimbursement from MSCC	2,413	8,085
<b>Total net expenses</b>	<b>(1,116)</b>	<b>(4,156)</b>
<b>Net Loss</b>	<b>\$ (340)</b>	<b>\$ (1,289)</b>

As a result of the consolidation of the Internal Investment Manager effective April 1, 2013, beginning in the second quarter of 2013, the balance sheet and income statement accounts of the Internal Investment Manager are included in Main Street's consolidated financial statements and the "Expenses reimbursed to affiliated Internal Investment Manager" accounts included in Main Street's historical consolidated financial statements has a zero balance. In addition, as a result of the consolidation of the accounts of the Internal Investment Manager effective April 1, 2013, beginning with the second quarter of 2013, the expenses on Main Street's income statement that were included in "Expenses reimbursed to affiliated Internal Investment Manager" in prior periods are now included in "Compensation" or "General and administrative" expenses. The consolidation of the Internal Investment Manager has no net effect on net investment income or total expenses reported in any of the comparable periods presented.

The following unaudited supplemental pro forma information has been provided for illustrative purposes only to show the effects on the individual line items in Main Street's consolidated statements

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE D WHOLLY OWNED INVESTMENT MANAGERS (Continued)

of operations affected for these periods prior to consolidation of the Internal Investment Manager. Future results may vary significantly from the results reflected in the following pro forma financial information because of future events and transactions, as well as other factors. No per share amounts are shown as the consolidation of the Internal Investment Manager would not have changed any per share results. The following pro-forma information has been provided for years ended December 31, 2013 and 2012 as if the Internal Investment Manager had been consolidated as of the beginning of each period presented.

	Year Ended December 31,	
	2013 (Pro-forma(1), in thousands)	2012
Compensation	(11,291)	(9,230)
General and administrative	(5,335)	(3,769)
Expenses reimbursed to affiliated Internal Investment Manager		
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 96,855</b>	<b>\$ 104,643</b>

- (1) Represents pro-forma information for the three months ended March 31, 2013 and actual information for the period from April 1, 2013 through December 31, 2013.

## NOTE E DEFERRED FINANCING COSTS

Deferred financing costs balances as of December 31, 2014 and 2013 are as follows (amounts in thousands):

	As of December 31,	
	2014	2013
Credit Facility Fees	\$ 7,208	\$ 5,366
SBIC debenture leverage fees	5,000	4,399
4.50% Notes	3,668	
6.125% Notes	3,088	3,088
SBIC debenture commitment fees	2,048	1,800
Subtotal	21,012	14,653
Accumulated amortization	(6,462)	(4,722)
Net deferred financing costs balance	\$ 14,550	\$ 9,931



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE E DEFERRED FINANCING COSTS (Continued)**

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2014 and thereafter is as follows (amounts in thousands):

<b>Years Ended December 31,</b>	<b>Estimated Amortization</b>
2015	\$ 2,516
2016	\$ 2,516
2017	\$ 2,516
2018	\$ 2,516
2019	\$ 2,208
2020 and thereafter	\$ 2,278

**NOTE F SBIC DEBENTURES**

SBIC debentures payable at December 31, 2014 and 2013 were \$225.0 million and \$200.2 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate on the SBIC debentures as of December 31, 2014 and 2013 was 4.2% and 3.8%, respectively. Main Street issued \$24.8 million of new SBIC debentures under the SBIC program in 2014 to reach the regulatory maximum amount of \$225.0 million. The first principal maturity due under the existing SBIC debentures is in 2017, and the remaining weighted average duration as of December 31, 2014 was approximately 6.6 years. For the years ended December 31, 2014, 2013 and 2012, Main Street recognized interest expense attributable to the SBIC debentures of \$9.5 million, \$10.3 million and \$11.4 million, respectively. Main Street has incurred upfront leverage and other miscellaneous fees of approximately 3.4% of the debenture principal amount. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of December 31, 2014, the recorded value of the SBIC debentures was \$222.8 million which consisted of (i) \$73.0 million recorded at fair value, or \$2.2 million less than the \$75.2 million face value of the SBIC debentures held in MSC II, and (ii) \$149.8 million reported at face value and held in MSMF. As of December 31, 2014, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately \$192.4 million or \$32.6 million less than the \$225.0 million face value of the SBIC debentures.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE F SBIC DEBENTURES (Continued)**

The maturity dates and fixed interest rates for Main Street's SBIC Debentures as of December 31, 2014 and 2013 are summarized in the following table:

<b>Maturity Date</b>	<b>Fixed Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
9/1/2017	6.43%	15,000,000	15,000,000
3/1/2018	6.38%	10,200,000	10,200,000
9/1/2019	4.95%	20,000,000	20,000,000
3/1/2020	4.51%	10,000,000	10,000,000
9/1/2020	3.50%	35,000,000	35,000,000
9/1/2020	3.93%	10,000,000	10,000,000
3/1/2021	4.37%	10,000,000	10,000,000
3/1/2021	4.60%	20,000,000	20,000,000
9/1/2021	3.39%	10,000,000	10,000,000
9/1/2022	2.53%	5,000,000	5,000,000
3/1/2023	3.16%	16,000,000	16,000,000
3/1/2024	3.95%	8,000,000	8,000,000
3/1/2024	3.95%	12,000,000	12,000,000
3/1/2024	3.95%	11,400,000	11,400,000
3/1/2024	3.95%	7,600,000	7,600,000
3/1/2024	3.55%	24,800,000	
<b>Ending Balance</b>		<b>225,000,000</b>	<b>200,200,000</b>

**NOTE G CREDIT FACILITY**

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility was amended during 2014 to increase the total commitments from \$445.0 million to \$572.5 million, decrease the interest rate subject to Main Street maintaining an investment grade rating, increase the diversified group of lenders to fifteen lenders and extend the final maturity by one year to September 2019. The amended Credit Facility also contains an upsized accordion feature which allows Main Street to increase the total commitments under the facility up to \$650.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate (0.16% as of December 31, 2014) plus 2.00%, as long as Main Street maintains an investment grade rating (or 2.25% if Main Street does not maintain an investment grade rating) or (ii) the applicable base rate (Prime Rate of 3.25% as of December 31, 2014) plus 1.00%, as long as Main Street maintains an investment grade rating (or 1.25% if Main Street does not maintain an investment grade rating). Main Street pays unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership and assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0,

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE G CREDIT FACILITY (Continued)**

(iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2019, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval.

At December 31, 2014, Main Street had \$218.0 million in borrowings outstanding under the Credit Facility. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of \$6.9 million, \$5.6 million and \$4.2 million, respectively, for the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, the interest rate on the Credit Facility was 2.16%, and Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE H NOTES**

**6.125% Notes**

In April 2013, Main Street issued \$92.0 million, including the underwriters full exercise of their option to purchase additional principal amounts to cover over-allotments, in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). The 6.125% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street's option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. The total net proceeds to Main Street from the 6.125% Notes, after underwriting discounts and estimated offering expenses payable by Main Street, were approximately \$89.0 million. Main Street has listed the 6.125% Notes on the New York Stock Exchange under the trading symbol "MSCA". Main Street may from time to time repurchase the 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 6.125% Notes was \$90.8 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$5.9 million and \$4.4 million for each of the years ended December 31, 2014 and 2013, respectively.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 6.125% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture.

**4.50% Notes**

In November 2014, Main Street issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes") at an issue price of 99.53%. The 4.50% Notes are

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE H NOTES (Continued)**

unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year. The total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable by us, were approximately \$171.2 million. Main Street may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 4.50% Notes was \$175.0 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$1.3 million for the year ended December 31, 2014.

The indenture governing the 4.50% Notes (the "4.50% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 4.50% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 4.50% Notes Indenture.

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE I FINANCIAL HIGHLIGHTS

Per Share Data:	Twelve Months Ended December 31,				
	2014	2013	2012	2011	2010
NAV at the beginning of the period	\$ 19.89	\$ 18.59	\$ 15.19	\$ 13.06	\$ 11.96
Net investment income(1)(3)	2.20	2.06	2.01	1.69	1.16
Net realized gain (loss)(1)(2)(3)	0.53	0.07	0.55	0.11	(0.17)
Net change in unrealized appreciation (depreciation)(1)(2)(3)	(0.27)	0.52	1.34	1.23	1.14
Income tax provision(1)(2)(3)	(0.15)		(0.37)	(0.27)	(0.05)
Bargain purchase gain(1)					0.30
Net increase in net assets resulting from operations(1)(3)	2.31	2.65	3.53	2.76	2.38
Dividends paid to stockholders from net investment income	(2.17)	(2.29)	(1.17)	(1.46)	(1.39)
Dividends paid to stockholders from realized gains/losses	(0.38)	(0.37)	(0.54)	(0.10)	(0.11)
Total dividends paid	(2.55)	(2.66)	(1.71)	(1.56)	(1.50)
Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period	(0.01)	(0.02)	(0.02)	(0.14)	
Accretive effect of public stock offerings (issuing shares above NAV per share)	1.07	1.13	1.33	0.74	0.49
Accretive effect of Exchange Offer					0.22
Adjustment to investment in Internal Investment Manager in connection with Exchange Offer Transactions					(0.73)
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.12	0.13	0.07	0.05	0.08
Other(4)	0.02	0.07	0.20	0.28	0.16
NAV at the end of the period	\$ 20.85	\$ 19.89	\$ 18.59	\$ 15.19	\$ 13.06
Market value at the end of the period	\$ 29.24	\$ 32.69	\$ 30.51	\$ 21.24	\$ 18.19
Shares outstanding at the end of the period	45,079,150	39,852,604	34,589,484	26,714,384	18,797,444

- (1) Based on weighted average number of common shares outstanding for the period.
- (2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.
- (3) Per share amounts are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.
- (4) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE I FINANCIAL HIGHLIGHTS (Continued)**

	Twelve Months Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except percentages)				
NAV at end of period	\$ 939,982	\$ 792,533	\$ 642,976	\$ 405,711	\$ 245,535
Average net asset value	\$ 885,568	\$ 706,056	\$ 512,156	\$ 327,386	\$ 195,785
Average outstanding debt	\$ 575,524	\$ 444,331	\$ 322,154	\$ 277,692	\$ 158,563
Ratio of total expenses, including income tax expense, to average net asset value(1)(2)	5.82%	5.82%	8.18%	9.82%	8.81%
Ratio of operating expenses to average net asset value(1)	5.11%	5.82%	6.07%	7.96%	8.34%
Ratio of operating expenses, excluding interest expense, to average net asset value(1)	2.44%	2.95%	3.03%	4.01%	3.98%
Ratio of net investment income to average net asset value(1)	10.79%	10.68%	11.57%	11.76%	9.65%
Portfolio turnover ratio	35.71%	36.10%	56.22%	30.82%	26.71%
Total investment return(3)	3.09%	16.68%	53.60%	26.95%	23.97%
Total return based on change in net asset value(4)	12.71%	15.06%	25.73%	25.64%	26.11%

(1) Ratios are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

(2) Total expenses are the sum of operating expenses and income tax expense. Income tax expense includes the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. Main Street is required to include deferred taxes in calculating its total expenses even though these deferred taxes are not currently payable.

(3) Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by Main Street's dividend reinvestment plan during the period. The return does not reflect sales load.

(4) Total return based on change in net asset value was calculated using the sum of ending net asset value plus dividends to stockholders and other non-operating changes during the period, divided by the beginning net asset value.

**NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

During 2014, Main Street paid supplemental dividends of \$0.275 per share in each of June and December 2014, regular monthly dividends of \$0.165 per share for each month of January through September 2014 and regular monthly dividends of \$0.170 per share for each month of October through December 2014, with such dividends totaling \$110.9 million, or \$2.545 per share. The 2014 regular monthly dividends, which total \$86.2 million, or \$2.00 per share, represent a 7.3% increase from the monthly dividends paid per share for the year ended 2013. For tax purposes, the 2014 dividends, which included the effects of accrued dividends, total \$2.55 per share and were comprised of (i) ordinary income totaling approximately \$2.083 per share, (ii) long term capital gain totaling approximately \$0.419 per share, and (iii) qualified dividend income totaling approximately \$0.048 per share. As of December 31 2014, Main Street estimates that it has generated undistributed taxable income of approximately \$46.3 million, or \$1.03 per share, that will be carried forward toward distributions to be paid in 2015. For the years ended December 31, 2013 and 2012, Main Street paid total monthly dividends of approximately \$96.8 million, or \$2.66 per share, and \$49.6 million, or \$1.71 per share, respectively.





Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

Ordinary dividend distributions from a RIC do not qualify for the reduced maximum tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividends or return of capital. The tax character of distributions paid for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Ordinary income(1)	\$ 91,369	\$ 68,630	\$ 28,440
Qualified dividends	2,106	17,058	1,663
Distributions of long term capital gains	18,502	12,507	21,073
Distributions	\$ 111,977	\$ 98,195	\$ 51,176

- 
- (1) The year ended December 31, 2014 includes \$1.2 million that was reported as compensation for services for tax purposes in accordance with Section 83 of the Code.

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. 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 applicable fiscal year.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

Listed below is a reconciliation of "Net increase in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,		
	2014	2013	2012
	(estimated, amounts in thousands)		
Net increase in net assets resulting from operations	\$ 100,748	\$ 96,855	\$ 104,444
Share-based compensation expense	4,215	4,210	2,565
Net realized income allocated to noncontrolling interest			(65)
Net change in unrealized appreciation (depreciation)	11,707	(18,895)	(39,460)
Income tax provision (benefit)	6,287	(35)	10,820
Pre-tax book (income) loss not consolidated for tax purposes(1)	(7,721)	(437)	(2,187)
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	(1,667)	9,128	11,540
Estimated taxable income(2)	113,569	90,826	87,657
Taxable income earned in prior year and carried forward for distribution in current year	37,046	44,415	7,934
Taxable income earned prior to period end and carried forward for distribution next period	(46,301)	(43,622)	(49,603)
Dividend payable as of period end and paid in the following period	7,663	6,576	5,188
Total distributions accrued or paid to common stockholders	\$ 111,977	\$ 98,195	\$ 51,176

(1) As discussed further in Note D, the Internal Investment Manager was consolidated effective April 1, 2013. Thus, all periods prior to this date do not include a reconciling item for the income (loss) of the Internal Investment Manager as these periods did not include the results from operations of the Internal Investment Manager in the Net increase in net assets resulting from operations.

(2) Main Street's taxable income for each period is an estimate and will not be finally determined until the company files its tax return for each year. Therefore, the final taxable income, and the taxable income earned in each period and carried forward for distribution in the following period, may be different than this estimate.

The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements as portfolio investments and recorded at fair value. The principal purpose of the Taxable Subsidiaries is to permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes in order to continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

The Internal Investment Manager currently provides investment management and other services to MSCC and its subsidiaries and receives fee income for such services. In addition, it gets reimbursed for the expenses it charges to the External Investment Manager (see further discussion of the Investment Managers in Note D). Beginning April 1, 2013, the Internal Investment Manager is included in Main Street's consolidated financial statements and reflected as a consolidated subsidiary. The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is not consolidated with Main Street for income tax purposes and as a result may generate income tax expense, or benefit, and tax assets and liabilities, as a result of its activities.

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries and the Internal Investment Manager, if any, are reflected in Main Street's Consolidated Statement of Operations. Main Street's provision for income taxes was comprised of the following for the years ended December 31, 2014, 2013 and 2012 (amounts in thousands):

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Current tax expense:</b>			
Federal	\$ 734	\$ 1,153	\$ 168
State	847	591	1,059
<b>Total current tax expense</b>	<b>1,581</b>	<b>1,744</b>	<b>1,227</b>
<b>Deferred tax expense (benefit):</b>			
Federal	2,515	(2,822)	7,828
State	759	(769)	174
<b>Total deferred tax expense (benefit)</b>	<b>3,274</b>	<b>(3,591)</b>	<b>8,002</b>
<b>Excise tax</b>	<b>1,432</b>	<b>1,812</b>	<b>1,591</b>
<b>Total income tax provision (benefit)</b>	<b>\$ 6,287</b>	<b>\$ (35)</b>	<b>\$ 10,820</b>

As of December 31, 2014, the cost of investments for federal income tax purposes was \$1.5 billion, with such investments having a gross unrealized appreciation of \$201.5 million and gross unrealized depreciation of \$92.2 million.

The net deferred tax liability at December 31, 2014 and 2013 was \$9.2 million and \$5.9 million, respectively, primarily related to timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries, partially offset by net loss carryforwards (primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and the operating activities of the Internal Investment Manager), basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes and excess deductions resulting from the restricted stock plans (see further discussion in Note M). During the year ended December 31, 2013, capital loss carryforwards totaling approximately \$2.8 million were fully utilized. Due to the consolidation of the Internal Investment Manager (see further discussion in Note D) on April 1, 2013, the Company recorded a deferred tax asset of \$2.2 million through additional paid-in capital relating to the prior periods through March 31, 2013.

In accordance with the realization requirements of ASC 718, *Compensation - Stock Compensation*, Main Street uses tax law ordering when determining when tax benefits related to equity compensation

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

greater than equity compensation recognized for financial reporting should be realized. For the years ended December 31, 2014 and 2013, Main Street realized a \$1.0 million and \$0.6 million, respectively, increase to paid-in-capital due to tax deductions related to equity compensation greater than equity compensation recognized for financial reporting. Additional paid-in capital increases of \$1.8 million will be recognized in future periods when such tax benefits are ultimately realized by reducing taxes payable.

Management believes that the realization of the deferred tax assets is more likely than not based on expectations as to future taxable income and scheduled reversals of temporary differences. Accordingly, Main Street did not record a valuation allowance related to its deferred tax assets at December 31, 2014 and 2013. The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2014 and 2013 (amounts in thousands):

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 11,066	\$ 13,417
Net basis differences in portfolio investments	657	115
 Total deferred tax assets	 11,723	 13,532
<b>Deferred tax liabilities:</b>		
Net unrealized appreciation of portfolio investments	(20,820)	(19,465)
Other	(117)	(7)
 Total deferred tax liabilities	 (20,937)	 (19,472)
 Total net deferred tax assets (liabilities)	 \$ (9,214)	 \$ (5,940)

For federal income tax purposes, the net loss carryforwards expire in various years from 2029 through 2034. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

**NOTE K COMMON STOCK**

During April 2014, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$31.50 per share, resulting in total gross proceeds of approximately \$144.9 million, less underwriters' commissions of approximately \$5.1 million and other expenses of approximately \$0.2 million.

In August 2013, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$29.75 per share, resulting in total gross proceeds of approximately \$136.9 million, less (i) underwriters' commissions of approximately \$5.1 million and (ii) offering costs of approximately \$0.3 million.

In December 2012, Main Street completed a follow-on public equity offering of 2,875,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE K COMMON STOCK (Continued)**

public of \$28.00 per share, resulting in total gross proceeds of approximately \$80.5 million, less (i) underwriters' commissions of approximately \$3.2 million and (ii) offering costs of approximately \$0.2 million.

In June 2012, Main Street completed a follow-on public equity offering of 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share, resulting in total gross proceeds of approximately \$97.0 million, less (i) underwriters' commissions of approximately \$3.9 million and (ii) offering costs of approximately \$0.2 million.

**NOTE L DIVIDEND REINVESTMENT PLAN ("DRIP")**

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. The share requirements of the DRIP may be satisfied through the issuance of shares of common stock or through open market purchases of common stock. Newly issued shares will be valued based upon the final closing price of MSCC's common stock on the valuation date determined for each dividend by Main Street's Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased, before any associated brokerage or other costs. Main Street's DRIP is administered by its transfer agent on behalf of Main Street's record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in Main Street's DRIP but may provide a similar dividend reinvestment plan for their clients.

For the year ended December 31, 2014, \$17.4 million of the total \$110.9 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 468,417 newly issued shares and with the purchase of 85,754 shares of common stock in the open market. For the year ended December 31, 2013, \$17.5 million of the total \$96.8 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 433,218 newly issued shares and with the purchase of 134,659 shares of common stock in the open market. For the year ended December 31, 2012, \$10.4 million of the total \$49.6 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 349,960 newly issued shares and with the purchase of 63,416 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE M 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 measured the grant date fair value based upon the market price of its common stock on the date of the grant and amortizes the fair value of the awards as share-based compensation expense over the requisite service period, which is generally the vesting term.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE M SHARE-BASED COMPENSATION (Continued)**

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares generally vest over a four-year period from the grant date. The fair value is expensed over the service period, starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors, net of shares forfeited, and the remaining shares of restricted stock available for issuance as of December 31, 2014.

Restricted stock authorized under the plan	2,000,000
Less net restricted stock (granted)/forfeited on:	
July 1, 2008	(245,645)
July 1, 2009	(98,993)(1)
July 1, 2010	(149,357)
June 20, 2011	(116,909)(1)
June 20, 2012	(130,196)(1)
Quarter ended December 31, 2012	(12,476)
Quarter ended March 31, 2013	(725)(1)
Quarter ended June 30, 2013	(236,852)(1)
Quarter ended September 30, 2013	(12,688)(1)
Quarter ended December 31, 2013	(61)(1)
Quarter ended March 31, 2014	(397)
Quarter ended June 30, 2014	(209,130)(1)
Quarter ended September 30, 2014	(13,570)
Restricted stock available for issuance as of December 31, 2014	773,001

(1)

Shares indicated are net of forfeited shares

The following table summarizes the restricted stock issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares are granted upon appointment or election to the board and vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over such service period.

Restricted stock authorized under the plan	200,000
Less restricted stock granted on:	
July 1, 2008	(20,000)
July 1, 2009	(8,512)
July 1, 2010	(7,920)
June 20, 2011	(6,584)
August 3, 2011	(1,658)
June 20, 2012	(5,060)
June 13, 2013	(4,304)
August 6, 2013	(980)
May 29, 2014	(4,775)
Restricted stock available for issuance as of December 31, 2014	140,207



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE M SHARE-BASED COMPENSATION (Continued)**

For the years ended December 31, 2014, 2013 and 2012, Main Street recognized total share-based compensation expense of \$4.2 million, \$4.2 million and \$2.6 million, respectively, related to the restricted stock issued to Main Street employees and independent directors. In August 2013, the Board accelerated the vesting of all of the unvested shares of restricted stock previously granted to and held by Main Street's retiring Executive Vice-Chairman under the 2008 Equity Incentive Plan. The accelerated vesting of these 55,597 shares resulted in share-based compensation expense of \$1.3 million during the year ended December 31, 2013. Excluding the expense associated with the accelerated vesting of these shares, the total share-based compensation expense for the year ended December 31, 2013 was \$2.9 million. As of December 31, 2014, there was \$10.9 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 2.8 years as of December 31, 2014.

**NOTE N COMMITMENTS AND CONTINGENCIES**

At December 31, 2014, Main Street had a total of \$131.4 million in outstanding commitments comprised of (i) 26 investments with commitments to fund revolving loans that had not been fully drawn or term loans with additional commitments not yet funded and (ii) six investments with capital commitments that had not been fully called.

Main Street may, from time to time, be involved in litigation arising out of its operations in the normal course of business or otherwise. Furthermore, third parties may try to impose liability on Main Street in connection with the activities of its portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, Main Street does not expect any current matters will materially affect its financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on Main Street's financial condition or results of operations in any future reporting period.

**NOTE O SELECTED QUARTERLY DATA (UNAUDITED)**

	<b>2014</b>			
	(amounts in thousands)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 30,776	\$ 34,877	\$ 36,351	\$ 38,759
Net investment income	\$ 20,739	\$ 23,578	\$ 24,887	\$ 26,332
Net increase in net assets resulting from operations	\$ 27,234	\$ 29,950	\$ 21,569	\$ 21,995
Net investment income per share-basic and diluted	\$ 0.52	\$ 0.53	\$ 0.55	\$ 0.59
Net increase in net assets resulting from operations per share-basic and diluted	\$ 0.68	\$ 0.68	\$ 0.48	\$ 0.49

S-185



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE O SELECTED QUARTERLY DATA (UNAUDITED) (Continued)

2013				
(amounts in thousands)				
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 25,644	\$ 27,800	\$ 29,659	\$ 33,394
Net investment income	\$ 17,283	\$ 17,833	\$ 17,477	\$ 22,830
Net increase in net assets resulting from operations	\$ 23,629	\$ 24,004	\$ 28,054	\$ 21,168
Net investment income per share-basic and diluted	\$ 0.50	\$ 0.51	\$ 0.47	\$ 0.57
Net increase in net assets resulting from operations share-basic and diluted	\$ 0.68	\$ 0.69	\$ 0.76	\$ 0.53

  

2012				
(amounts in thousands)				
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 20,559	\$ 20,842	\$ 22,954	\$ 26,165
Net investment income	\$ 12,849	\$ 12,826	\$ 15,522	\$ 18,128
Net increase in net assets resulting from operations attributable to common stock	\$ 23,784	\$ 24,153	\$ 31,967	\$ 24,486
Net investment income per share-basic and diluted	\$ 0.48	\$ 0.47	\$ 0.49	\$ 0.56
Net increase in net assets resulting from operations attributable to common stock per share-basic and diluted	\$ 0.89	\$ 0.88	\$ 1.01	\$ 0.76

## NOTE P RELATED PARTY TRANSACTIONS

As discussed further above, the External Investment Manager is treated as a wholly owned portfolio company of Main Street and is included as part of our Investment Portfolio. At December 31, 2014, Main Street had a receivable of \$1.0 million due from the External Investment Manager which included approximately \$0.7 million related to operating expenses incurred by the Internal Investment Manager required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.3 million.

In June 2013, Main Street adopted a deferred compensation plan for the non-employee members of its board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of Main Street common stock within 90 days following the termination of a participant's service as a director. As of December 31, 2014, \$0.6 million of directors' fees had been deferred under this plan. These deferred fees represented 18,672 shares of Main Street common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted average shares outstanding on Main Street's consolidated statement of operations as earned.

## NOTE Q SUBSEQUENT EVENTS

In January 2015, Main Street led a new portfolio investment totaling \$45.0 million of invested capital in Volusion, LLC ("Volusion"), with Main Street funding \$31.5 million of the investment. The proceeds of the investment were used to provide capital to fund Volusion's near-term growth opportunities. Main Street's investment in Volusion included a combination of first-lien, senior secured

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE Q SUBSEQUENT EVENTS (Continued)**

term debt with equity warrant participation and a direct equity investment. In addition, Main Street and its co-investor are providing Volusion a commitment for up to \$10.0 million of additional capital to support its future growth opportunities. Headquartered in Austin, Texas, and founded in 1999, Volusion provides an online software-as-a-service solution for its customers' e-Commerce stores and activities.

In January 2015, Main Street participated in a new portfolio investment totaling \$24.0 million of invested capital in Berry Aviation, Inc. ("Berry"), with its portion of the funding being \$6.4 million, and including \$6.0 million of secured subordinated term debt and a \$0.4 million equity investment for a minority equity ownership position in Berry. Main Street and its co-investors partnered to facilitate a minority recapitalization of Berry and to support its growth initiatives. Headquartered in San Marcos, Texas, Berry is a full service aviation business that provides air carrier and concierge services to both private sector and public clients, including the United States Department of Defense ("U.S. DOD") and other governmental agencies.

During February 2015, Main Street declared regular monthly dividends of \$0.175 per share for each of April, May and June 2015. These regular monthly dividends equal a total of \$0.525 per share for the second quarter of 2015. The second quarter 2015 regular monthly dividends represent a 6.1% increase from the dividends declared for the second quarter of 2014. Including the dividends declared for the second quarter of 2015, Main Street will have paid \$14.27 per share in cumulative dividends since its October 2007 initial public offering.

S-187

---

Table of Contents

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders'  
Main Street Capital Corporation

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the "Company") referred to in our report dated February 27, 2015, which is included in the annual report on Form 10-K. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2), which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 27, 2015

S-188

---

## MAIN STREET CAPITAL CORPORATION

Schedule of Investments in and Advances to Affiliates  
Year ended December 31, 2014

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
<b>Control Investments</b>						
ASC Interests, LLC	11% Secured Debt	386	3,434	66	500	3,000
	Member Units	105	1,500	470		1,970
Bond-Coat, Inc.	12% Secured Debt	1,766	14,750	46	1,226	13,570
	Common Stock		8,850	2,360		11,210
Café Brazil, LLC	Member Units	942	6,770	210		6,980
California Healthcare Medical Billing, Inc.	9% Secured Debt	933	8,103	635	35	8,703
	Warrants		3,380	100		3,480
	Common Stock		1,560		100	1,460
CBT Nuggets, LLC	Member Units	3,763	16,700	10,500		27,200
Ceres Management, LLC (Lambs Tire & Automotive)	14% Secured Debt	606	4,000		84	3,916
	Class B Member Units	461	3,586	462		4,048
	Member Units		1,190	1,320		2,510
	9.5% Secured Debt	95	1,017		49	968
	Member Units	52	1,060	180		1,240
Datacom, LLC	10.5% Secured Debt	891		11,103		11,103
	Member Units			6,030		6,030
Garreco, LLC	14% Secured Debt	819	5,693	27	400	5,320
	Member Units	45	1,200	160		1,360
GRT Rubber Technologies LLC	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt	230		16,585		16,585
	Member Units			13,065		13,065
Gulf Manufacturing, LLC	9% PIK Secured Debt	69	919		175	744
	Member Units	1,744	13,220	3,320		16,540
Harrison Hydra-Gen, Ltd.	12% Secured Debt	744	4,896	1,160	569	5,487
	Preferred Stock	93	1,167	93		1,260
	Common Stock		1,340	490		1,830
Hawthorne Customs and Dispatch Services, LLC	Member Units		440		70	370
	Member Units	173	2,050	170		2,220
Hydratec, Inc.	Common Stock	768	13,720			13,720
IDX Broker, LLC	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt	1		125		125

Edgar Filing: Main Street Capital CORP - Form 497

	12.5% Secured Debt	1,361	10,467	104		10,571
	Member Units		5,029	421		5,450
Impact Telecom, Inc.	LIBOR Plus 6.50% (Floor 2.00%), Current Coupon 8.50%, Secured Debt	182	1,568	1		1,569
	13% Secured Debt	3,792	14,690	825		15,515
	Warrants		8,760		4,600	4,160
Indianapolis Aviation Partners, LLC	15% Secured Debt	612	3,550	67	517	3,100
	Warrants		2,200	340		2,540
Jensen Jewelers of Idaho, LLC	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt	423	4,255	25	625	3,655
	Member Units	271	3,310	270		3,580
Lighting Unlimited, LLC	8% Secured Debt	129	1,676		126	1,550
	Preferred Equity		470		31	439
	Warrants		30	10		40
	Member Units	80	250	110		360
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	12% Secured Debt	1,283	10,076	36		10,112
	Preferred Member Units		3,750			3,750

S-189

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
Mid-Columbia Lumber Products, LLC	10% Secured Debt	177	1,750			1,750
	12% Secured Debt	495	3,900			3,900
	Member Units	1,225	8,280	1,900		10,180
	9.5% Secured Debt	91	972		45	927
	Member Units	12	440	110		550
MSC Adviser I, LLC(16)	Member Units	447	1,064	14,516		15,580
Mystic Logistics, Inc	12% Secured Debt	569		9,790		9,790
	Common Stock			2,720		2,720
NAPCO Precast, LLC	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	184		1,265	640	625
	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	273	5,673		2,750	2,923
	18% Secured Debt	825	4,468	22	22	4,468
	Member Units	958	5,920	1,640		7,560
NRI Clinical Research, LLC	14% Secured Debt	736	4,226	657	104	4,779
	Warrants		440		280	160
	Member Units		870	342	490	722
NRP Jones, LLC	12% Secured Debt	1,675	12,100	208	718	11,590
	Warrants		1,420		450	970
	Member Units		5,050		1,860	3,190
OMi Holdings, Inc.	Common Stock	480	13,420			13,420
Pegasus Research Group, LLC (Televerde)	15% Secured Debt	324	4,791	31	4,822	
	Member Units	373	4,860	1,000		5,860
PPL RVs, Inc.	11.1% Secured Debt	906	7,860	21	21	7,860
	Common Stock		7,990	170		8,160
Principle Environmental, LLC	12% Secured Debt	661	3,506	743	189	4,060
	12% Current / 2% PIK Secured Debt	537	4,656		1,412	3,244
	Preferred Member Units		4,180	7,650		11,830
	Warrants		2,620		1,900	720
River Aggregates, LLC	Zero Coupon Secured Debt		421	47		468
	12% Secured Debt	109	500			500
	Member Units	192		2,570		2,570
	Member Units		369			369
SoftTouch Medical Holdings LLC	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt	233		8,417		8,417
	Member Units			5,015		5,015
Southern RV, LLC	13% Secured Debt	1,530	11,239	161		11,400
	Member Units	662	1,680	3,240		4,920
	13% Secured Debt	436	3,204	46		3,250
	Member Units		480		10	470

## Edgar Filing: Main Street Capital CORP - Form 497

The MPI Group, LLC	9% Secured Debt	329	5,480	1,444	4,200	2,724
	Series A Preferred Units			2,300	1,320	980
	Warrants			2,192	2,192	
	Member Units	26		2,300		2,300
Travis Acquisition LLC	12% Secured Debt	1,023	9,025	175	4,507	4,693
	Member Units		7,100	6,550		13,650
Uvalco Supply, LLC	9% Secured Debt	178	2,175		373	1,802
	Member Units	248	3,730		230	3,500
Vision Interests, Inc.	13% Secured Debt	435	3,158	13	17	3,154
	Series A Preferred Stock		1,510	1,740		3,250
	Common Stock			100		100
Ziegler's NYPD, LLC	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	81	1,000	491		1,491
	9% Current / 9% PIK Secured Debt Warrants	510	4,820	60		4,880
Other						
Income from investments transferred from other 1940 Act classification during the year		363				
		40,122	356,973	150,532	37,659	469,846

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
<b>Affiliate Investments</b>						
AFG Capital Group, LLC	11% Secured Debt	214		6,465		6,465
	Warrants			259		259
	Member Units			1,200		1,200
American Sensor Technologies, Inc.	Warrants		10,100		10,100	
Boss Industries, LLC	Preferred Member Units			2,000		2,000
Bridge Capital Solutions Corporation	13% Secured Debt	806	4,799	1,038		5,837
	Warrants		530	180		710
Brightwood Capital Fund III, LP(12)(13)	LP Interests	570		15,469	7,021	8,448
CAI Software LLC	12% Secured Debt	259		5,348		5,348
	Member Units			654		654
Condit Exhibits, LLC	12% Secured Debt	73	3,750		3,750	
	Warrants		540		540	
	Member Unit	20		610		610
Congruent Credit Opportunities Funds(12)(13)	LP Interests	1,500	22,692	594	4,908	18,378
	LP Interests	20	4,128	4,314	708	7,734
Daseke, Inc.	12% Current / 2.5% PIK Secured Debt	3,159	19,828	895		20,723
	Common Stock		11,689	2,091		13,780
Dos Rios Partners(12)(13)	LP Interests	23	1,269	1,056		2,325
	LP Interests	8	403	335		738
East Teak Fine Hardwoods, Inc.	Common Stock	116	450	410		860
East West Copolymer & Rubber, LLC	12% Secured Debt	369		9,436		9,436
	Warrants			50		50
Freeport Financial SBIC Fund LP(12)(13)	LP Interests	536	1,618	3,059		4,677
Gault Financial, LLC (RMB Capital, LLC)	10% Secured Debt Warrants	1,994	10,550	1,001	769	10,782
Glowpoint, Inc.	8% Secured Debt	5	294	251	149	396
	12% Secured Debt	1,144	8,892	17		8,909
	Common Stock		10,235	158	1,913	8,480
Guerdon Modular Holdings, Inc.	11% Secured Debt	558		11,044		11,044
	Common Stock			2,400		2,400
Houston Plating and Coatings, LLC	Member Units	528	9,160	2,310		11,470
Indianhead Pipeline Services, LLC	12% Secured Debt	1,035	7,800	131	1,306	6,625
	Preferred Member Units	114	1,832	128		1,960



Edgar Filing: Main Street Capital CORP - Form 497

	Warrants		470		470	
	Member Units		530		530	
irth Solutions, LLC	Member Units	343	3,300	660		3,960
KBK Industries, LLC	12.5% Secured Debt	1,083	9,000	21	771	8,250
	Member Units	267	5,740	380		6,120
L.F. Manufacturing Holdings, LLC(10)	Member Units	929	2,035	356	17	2,374
MPS Denver, LLC	8% PIK Secured Debt		750		750	
	13% PIK Secured Debt		8,365	2,423	10,788	
	Member Units			1,130		1,130
OnAsset Intelligence, Inc.	12% PIK Secured Debt	1,071	1,788	1,765		3,553
	Preferred Stock	132	2,602	132	34	2,700
	Warrants		370	132	502	
OPI International Ltd.(13)	Common Stock		4,971			4,971
PCI Holding Company, Inc.	12% Current / 4% PIK Secured Debt	730	4,449	1,191	5,640	
	Preferred Stock	411	3,311	1,119		4,430
Quality Lease and Rental Holdings, LLC	8% Secured Debt			330	173	157
	12% Secured Debt	3	20,000	3	8,503	11,500
	Preferred Member Units					

S-191

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
Radial Drilling Services Inc.	12% Secured Debt Warrants	677	3,626	166		3,792
Samba Holdings, Inc.	12.5% Secured Debt Common Stock	2,239	11,453 4,510	16,000 1,520	1,035	26,418 6,030
Spectrio LLC	LIBOR Plus 7.50%, Current Coupon 8.50%, Secured Warrants	1,737	17,878 3,850	374	18,252 3,850	
SYNEO, LLC	12% Secured Debt Member Units 10% Secured Debt	547 88 147	4,238 740 1,414	37 61 1	1,601	2,674 801 1,415
Texas Reexcavation LC	12% Current / 3% PIK Secured Debt Class A Member Units	917	6,082 3,270	240	6,322 3,270	
Tin Roof Acquisition Company	12% Secured Debt Class C Preferred Stock	1,538 213	10,785 2,027	3,076 214		13,861 2,241
Other Income from investments transferred from other 1940 Act classification during the year		28				
		26,151	268,113	104,234	93,672	278,675

This schedule should be read in conjunction with Main Street's consolidated financial statements, including the consolidated schedule of investments and notes to the consolidated financial statements.

- (1) The principal amount, the ownership detail for equity investments and if the investment is income producing is shown in the consolidated schedule of investments.
- (2) Represents the total amount of interest, fees or dividends credited to income for the portion of the year an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the year, any income related to the time period it was in the category other than the one shown at year end is included in "Income from investments transferred from Control during the year" or "Income from investments transferred from Affiliate during the year".
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investment, follow on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a

different category.

S-192

---

Table of Contents

**PROSPECTUS**

**\$800,000,000**

## **Main Street Capital Corporation**

**Common Stock  
Preferred Stock  
Warrants  
Subscription Rights  
Debt Securities  
Units**

---

We may offer, from time to time in one or more offerings, up to \$800,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock, or debt securities, subscription rights, debt securities or units, which we refer to, collectively, as the "securities." Our securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2013 Annual Meeting of Stockholders, and we are not seeking such authorization at our 2014 Annual Meeting of Stockholders, because our common stock price per share has been trading significantly above the current net asset value per share of our common stock, but we may seek such authorization at future Annual Meetings or Special Meetings of Stockholders. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, we have received stockholder approval to issue warrants, options or rights to subscribe for, convert to, or purchase shares of our common stock at a price per share below the net asset value per share subject to the applicable requirements of the Investment Company Act of 1940. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval. Moreover, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value."

**Shares of closed-end investment companies such as us frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our common stock.**

Our securities may be offered directly to one or more purchasers through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such securities, which must be delivered to each purchaser at, or prior to, the earlier of delivery of a confirmation of sale or delivery of the securities.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million.

**The LMM and Middle Market securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company.

## Edgar Filing: Main Street Capital CORP - Form 497

We are an internally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940.

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On May 6, 2014, the last reported sale price of our common stock on the New York Stock Exchange was \$31.02 per share, and the net asset value per share of our common stock on December 31, 2013 (the last date prior to the date of this prospectus on which we determined our net asset value per share) was \$19.89.

---

**Investing in our securities involves a high degree of risk, and should be considered highly speculative. See "Risk Factors" beginning on page 16 to read about factors you should consider, including the risk of leverage and dilution, before investing in our securities.**

This prospectus and the accompanying prospectus supplement contain important information about us that a prospective investor should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at [www.mainstreetcapital.com](http://www.mainstreetcapital.com). Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

---

**The date of this prospectus is May 7, 2014**

---

Table of Contents

## TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	<u>1</u>
<u>Fees and Expenses</u>	<u>14</u>
<u>Risk Factors</u>	<u>16</u>
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>37</u>
<u>Use of Proceeds</u>	<u>38</u>
<u>Price Range of Common Stock and Distributions</u>	<u>39</u>
<u>Ratios of Earnings to Fixed Charges</u>	<u>43</u>
<u>Selected Financial Data</u>	<u>44</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>46</u>
<u>Senior Securities</u>	<u>74</u>
<u>Business</u>	<u>75</u>
<u>Portfolio Companies</u>	<u>92</u>
<u>Management</u>	<u>119</u>
<u>Certain Relationships and Related Transactions</u>	<u>142</u>
<u>Control Persons and Principal Stockholders</u>	<u>143</u>
<u>Sales of Common Stock Below Net Asset Value</u>	<u>145</u>
<u>Dividend Reinvestment Plan</u>	<u>150</u>
<u>Description of Common Stock</u>	<u>151</u>
<u>Description of Our Preferred Stock</u>	<u>158</u>
<u>Description of Our Warrants</u>	<u>159</u>
<u>Description of Our Subscription Rights</u>	<u>161</u>
<u>Description of Our Debt Securities</u>	<u>162</u>
<u>Description of Our Units</u>	<u>176</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>176</u>
<u>Regulation</u>	<u>184</u>
<u>Plan of Distribution</u>	<u>189</u>
<u>Custodian, Transfer and Distribution Paying Agent and Registrar</u>	<u>191</u>
<u>Brokerage Allocation and Other Practices</u>	<u>191</u>
<u>Legal Matters</u>	<u>191</u>
<u>Independent Registered Public Accounting Firm</u>	<u>191</u>
<u>Available Information</u>	<u>192</u>
<u>Privacy Notice</u>	<u>192</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to \$800,000,000 of our securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under "Available Information" and "Risk Factors" before you make an investment decision.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or any accompanying supplement to this prospectus. You must not rely on any unauthorized information or representations not contained in this prospectus or

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

any accompanying prospectus supplement as if we had authorized it. This prospectus and any accompanying prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any accompanying prospectus supplement is accurate as of the dates on their covers.

---

Table of Contents

**PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including the section entitled "Risk Factors." Yield information contained in this prospectus related to debt investments in our investment portfolio is not intended to approximate a return on your investment in us and does not take into account other aspects of our business, including our operating and other expenses, or other costs incurred by you in connection with your investment in us.*

**Organization**

Main Street Capital Corporation ("MSCC") was formed in March 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 "Internal 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 Internal Investment Manager acts as MSMF's manager and investment adviser. Because the Internal Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by us, we do not pay any external investment advisory fees, but instead we incur the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

During January 2010, MSCC acquired (the "Exchange Offer") 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") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management advisory and other services to parties other than MSCC and its subsidiaries ("External Parties") and receive fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission to allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"), to provide investment management services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC, since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries.

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 Investment Managers are both also direct wholly



Table of Contents

owned subsidiaries that have elected to be taxable entities. The Taxable Subsidiaries and the Investment Managers 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, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

The following diagram depicts Main Street's organizational structure:

---

\* Each of the Taxable Subsidiaries is directly or indirectly wholly owned by MSCC.

\*\* Accounted for as a portfolio investment at fair value, as opposed to a consolidated subsidiary.

**Overview**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the loans made in our LMM portfolio or Middle Market portfolio.

Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market or Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments



Table of Contents

in other investment companies or private funds. The Investment Portfolio, as used herein, refers to all of our LMM portfolio investments, Middle Market portfolio investments, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and for all periods after March 31, 2013, the Investment Portfolio also excludes the Internal Investment Manager.

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement through the Internal Investment Manager to provide the External Investment Manager with asset management service support for HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. Beginning in the first quarter of 2014, we charge the External Investment Manager a fee for the use of these services. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2012, we had debt and equity investments in 56 LMM portfolio companies with an aggregate fair value of approximately \$482.9 million, with a total cost basis of approximately \$380.5 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.3%. As of December 31, 2012, approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2012, we had equity ownership in approximately 93% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies that are generally larger in size

Table of Contents

than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and five years.

As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio company investments was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. As of December 31, 2012, we had Middle Market portfolio investments in 79 companies, collectively totaling approximately \$352.0 million in fair value with a total cost basis of approximately \$348.1 million. The weighted average EBITDA for the 79 Middle Market portfolio company investments was approximately \$93.5 million as of December 31, 2012. As of December 31, 2012, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 91% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.0% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio company investments was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, 95% of our Private Loan portfolio investments were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. As of December 31, 2012, we had Private Loan portfolio investments in 9 companies, collectively totaling approximately \$65.5 million in fair value with a total cost basis of approximately \$64.9 million. The weighted average EBITDA for the 9 Private Loan portfolio company investments was approximately \$45.6 million as of December 31, 2012. As of December 31, 2012, approximately 99% of our Private Loan portfolio investments were in the form of debt investments and all such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 14.8% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised 3.3% of our Investment Portfolio at fair value as of December 31, 2013. As of December 31, 2012, we had Other Portfolio investments in three companies, collectively totaling

Table of Contents

approximately \$24.1 million in fair value and approximately \$23.6 million in cost basis and which comprised 2.6% of our Investment Portfolio at fair value as of December 31, 2012.

As discussed above, we hold an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2013, we had no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio.

During 2013, we began categorizing certain of our portfolio investments that were previously categorized as LMM portfolio investments or Middle Market portfolio investments as Private Loan portfolio investments to provide a separate classification based upon the nature in which such investments are originated. During the year ended December 31, 2013, there were ten portfolio company investment transfers from the LMM and Middle Market portfolio investment categories to the Private Loan portfolio investment category totaling \$69.6 million in fair value and \$69.0 million in cost on the date of transfer.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). An investor's return in MSCC will depend, in part, on the Funds' investment returns as MSMF and MSC II are both wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

MSCC and its consolidated subsidiaries are internally managed by the Internal Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Internal Investment Manager is wholly owned by MSCC, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the year ended December 31, 2013, the ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock (as discussed further below in "Management's Discussion and Analysis of Financial Condition and Results of Operations Discussion and Analysis of Results of Operations Comparison of the years ended December 31, 2013 and 2012"), as a percentage of our quarterly average total assets was 1.7% compared to 1.8% for the year ended December 31, 2012. Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended 2013 would have been 1.8%.

During May 2012, MSCC entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to

Table of Contents

provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining no-action relief from the SEC to allow us to own a registered investment adviser, MSCC assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, MSCC and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither MSCC nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither is due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement. Neither MSCC nor the External Investment Manager has waived the External Investment Manager's management or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014.

You should be aware that investments in our portfolio companies carry a number of risks including, but not limited to, investing in companies which may have limited operating histories and financial resources and other risks common to investing in below investment grade debt and equity investments in private, smaller companies. Please see "Risk Factors Risks Related to Our Investments" for a more complete discussion of the risks involved with investing in our portfolio companies.

Our principal executive offices are located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at <http://www.mainstreetcapital.com>. Information contained on our website is not incorporated by reference into this prospectus or any prospectus supplement, and you should not consider that information to be part of this prospectus or any prospectus supplement.

**Business Strategies**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and realizing capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We have adopted the following business strategies to achieve our investment objective. Please see "Business Business Strategies" for a more complete discussion of our business strategies.

*Deliver Customized Financing Solutions in the Lower Middle Market.* We offer to our LMM portfolio companies customized debt financing solutions with equity components that are tailored to the facts and circumstances of each situation.

*Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams.

*Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies.

*Invest Across Multiple Companies, Industries, Regions and End Markets.* We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets.

*Capitalize on Strong Transaction Sourcing Network.* Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments.

*Benefit from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt.



Table of Contents

**Risk Factors**

Investing in our securities involves a high degree of risk. You should consider carefully the information found in "Risk Factors," including the following risks:

Deterioration in the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Such economic adversity could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.

Our Investment Portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.

Typically, there is not a public market for the securities of the privately held LMM companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent financial advisory services firm (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors.

In addition, the market for investments in Middle Market companies is generally not a liquid market, and therefore, we primarily use observable inputs to determine the fair value of these investments quarterly through obtaining third party quotes and other independent pricing, which are reviewed by our audit committee with the oversight, review and approval of our Board of Directors.

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

We may face increasing competition for investment opportunities.

Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.

The Funds are licensed by the SBA, and therefore subject to SBA regulations.

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

We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders.

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

We may not be able to pay distributions to our stockholders, our distributions may not grow over time, and a portion of distributions paid to our stockholders may be a return of capital, which is a distribution of the stockholders' invested capital.



We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income, including from amortization of original issue discount, contractual payment-in-kind, or PIK, interest, contractual preferred dividends, or amortization of market discount. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis.

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Because we intend to distribute substantially all of our income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth, and regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital and make distributions.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.

Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment. Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation, termination or significant under-performance of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

generally have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

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

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

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

We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

The market price of our securities may be volatile and fluctuate significantly.

Table of Contents

**Investment Criteria**

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments. Please see "Business Investment Criteria" for a more complete discussion of our investment criteria.

*Proven Management Team with Meaningful Equity Stake.* We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests.

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance.

*Defensible Competitive Advantages/Favorable Industry Position.* We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help to protect their market position and profitability.

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

**Recent Developments**

During February 2014, we declared regular monthly dividends of \$0.165 per share for each of April, May and June 2014. These regular monthly dividends equal a total of \$0.495 per share for the second quarter of 2014. The second quarter 2014 regular monthly dividends represent a 6.5% increase from the dividends declared for the second quarter of 2013. Including the dividends declared for the second quarter of 2014, we will have paid \$11.68 per share in cumulative dividends since our October 2007 initial public offering.

During April 2014, we completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$31.50 per share, resulting in total gross proceeds of approximately \$144.9 million, less underwriters' commissions of approximately \$5.1 million and other expenses of approximately \$0.2 million.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, and we intend to make such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income.

During April 2014, we declared a semi-annual supplemental cash dividend of \$0.275 per share payable in June 2014. This supplemental cash dividend is in addition to the previously announced regular monthly cash dividends that we declared for the second quarter of 2014 of \$0.165 per share for each of April, May and June 2014, and represents a 38% increase from the semi-annual supplemental cash dividend paid in mid-year 2013.

Table of Contents

During May 2014, we declared regular monthly dividends of \$0.165 per share for each month of July, August and September of 2014. These regular monthly dividends equal a total of \$0.495 per share for the third quarter of 2014. The third quarter 2014 regular monthly dividends represent a 6% increase from the regular monthly dividends declared for the third quarter of 2013.

**The Offering**

We may offer, from time to time, up to \$800,000,000 of our securities, on terms to be determined at the time of the offering. Our securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

Our securities may be offered directly to one or more purchasers by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding the offering of our securities:

Use of proceeds	We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds."
New York Stock Exchange symbols	"MAIN" (common stock); and "MSCA" (6.125% notes due 2023).
Dividends	Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders.

Table of Contents

Taxation	<p>When we make monthly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital (a distribution of the stockholders' invested capital), investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.</p> <p>MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.</p> <p>Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations."</p>
Dividend reinvestment plan	<p>We have adopted a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an "opt out" reinvestment plan. As a result, if we declare dividends, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."</p>
Trading at a discount	<p>Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.</p>

Table of Contents

Sales of common stock below  
net asset value

The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2013 Annual Meeting of Stockholders, and we are not seeking such authorization at our 2014 Annual Meeting of Stockholders, because our common stock price per share has been trading significantly above the current net asset value per share of our common stock, but we may seek such authorization at future Annual Meetings or Special Meetings of Stockholders.

In addition, we have received stockholder approval to issue warrants, options or rights to subscribe for, convert to, or purchase shares of our common stock at a price per share below the net asset value per share subject to the applicable requirements of the 1940 Act. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval.

Sales by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See "Sales of Common Stock Below Net Asset Value."

Table of Contents

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, or the "Exchange Act." You can inspect any materials we file with the SEC, without charge, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The information we file with the SEC is available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, TX 77056, by telephone at (713) 350-6000 or on our website at <http://www.mainstcapital.com>. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus, and you should not consider information contained on our website or on the SEC's website to be part of this prospectus.



Table of Contents**FEES AND EXPENSES**

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

<b><i>Stockholder Transaction Expenses:</i></b>	
Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	%(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>%(4)</b>
<b><i>Annual Expenses (as a percentage of net assets attributable to common stock):</i></b>	
Operating expenses	2.63%(5)
Interest payments on borrowed funds	2.84%(6)
Income tax expense	%(7)
Acquired fund fees and expenses	0.38%(8)
<b>Total annual expenses</b>	<b>5.85%</b>

- (1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement will disclose the estimated offering expenses.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Operating expenses in this table represent the estimated expenses of MSCC and its consolidated subsidiaries, including the Internal Investment Manager.
- (6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (7) Income tax expense relates to the accrual of (a) deferred tax provision (benefit) on the net unrealized appreciation (depreciation) from portfolio investments held in Taxable Subsidiaries and (b) excise, state and other taxes. Deferred taxes are non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable or receivable. Due to the variable nature of deferred tax expense, which can be a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2013.
- (8) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.



Table of Contents*Example*

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 58	\$ 173	\$ 286	\$ 561

**The example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.** While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. In addition, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by (i) the market price per share of our common stock at the close of trading on the dividend payment date in the event that we use newly issued shares to satisfy the share requirements of the dividend reinvestment plan or (ii) the average purchase price of all shares of common stock purchased by the administrator of the dividend reinvestment plan in the event that shares are purchased in the open market to satisfy the share requirements of the dividend reinvestment plan, which may be at, above or below net asset value. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

Table of Contents

**RISK FACTORS**

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

**Risks Relating to Economic Conditions**

*Deterioration in the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Such economic adversity could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.*

As a result of the recent recession, the broader fundamentals of the United States economy remain mixed, and unemployment remains elevated. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles or other conditions, which could also have a negative impact on our future results.

Although we have been able to secure access to additional liquidity, including through the Credit Facility, periodic follow-on equity offerings, public debt issuances and the leverage available through the SBIC program, the potential for volatility in the debt and equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all. Further, if the price of our common stock falls below our net asset value per share, we will be limited in our ability to sell new shares if we do not have stockholder authorization to sell shares at a price below net asset value per share. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2013 Annual Meeting of Stockholders, and we are not seeking such authorization at our 2014 Annual Meeting of Stockholders, because our common stock price per share has been trading significantly above the current net asset value per share of our common stock, but we may seek such authorization at future Annual Meetings or Special Meetings of Stockholders.

**Risks Relating to Our Business and Structure**

*Our Investment Portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.*

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value as well as our valuation procedures. Typically, there is not a public market for the securities of the privately held LMM companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent financial advisory services firm (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors. In addition, the market for investments in Middle Market companies is generally not a liquid market, and therefore, we

Table of Contents

primarily use observable inputs to determine the fair value of these investments quarterly through obtaining third party quotes and other independent pricing, which are reviewed by our audit committee with the oversight, review and approval of our Board of Directors. See "Business Determination of Net Asset Value and Portfolio Valuation Process" for a more detailed description of our valuation process.

The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by our Board of Directors. Certain factors that may be considered in determining the fair value of our investments include external events, such as private mergers, sales and acquisitions involving comparable companies. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize on one or more of our investments. As a result, investors purchasing our securities based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling our securities during a period in which the net asset value understates the value of our investments may receive a lower price for their securities than the value of our investments might warrant.

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

Our ability to achieve our investment objective of maximizing our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company, depends on our ability to effectively manage and deploy capital, which depends, in turn, on our investment team's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

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

Even if we are able to grow and build upon our investment operations, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described herein, it could negatively impact our ability to pay dividends.

***We may face increasing competition for investment opportunities.***

We compete for investments with other investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us.

Table of Contents

In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the market for investments in LMM companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

We depend on the members of our investment team, particularly Vincent D. Foster, Dwayne L. Hyzak, Curtis L. Hartman, David L. Magdol, Travis L. Haley, Nicholas T. Meserve, Robert M. Shuford, and Rodger A. Stout for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Although we have entered into a non-compete agreement with Mr. Foster, we have no guarantee that he or any other employees will remain employed with us. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

***Our success depends on attracting and retaining qualified personnel in a competitive environment.***

Our growth will require that we retain new investment and administrative personnel in a competitive market. Our ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, our ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities, including investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies, with which we compete for experienced personnel have greater resources than we have.

The competitive environment for qualified personnel may require us to take certain measures to ensure that we are able to attract and retain experienced personnel. Such measures may include increasing the attractiveness of our overall compensation packages, altering the structure of our compensation packages through the use of additional forms of compensation, or other steps. The inability to attract and retain experienced personnel would have a material adverse effect on our business.

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

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

Table of Contents

***There are significant potential conflicts of interest which could impact our investment returns.***

Our executive officers and employees, through the External Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders. During May 2012, MSCC entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income Fund, Inc. ("HMS Income"), a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining no-action relief from the SEC to allow us to own a registered investment company, MSCC assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, MSCC and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither MSCC nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither is due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. Neither MSCC nor the External Investment Manager has waived the External Investment Manager's management or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014. The sub-advisory relationship requires us to commit resources to achieving HMS Income's investment objective, while such resources were previously solely devoted to achieving our investment objective. Our investment objective and investment strategies are very similar to those of HMS Income and it is likely that an investment appropriate for us or HMS Income would be appropriate for the other entity. As a result, we and HMS Income requested an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where our co-investing would otherwise be prohibited under the 1940 Act. The SEC granted the exemptive order in April 2014, and we intend to make such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income. As a consequence, it may be more difficult for us to maintain or increase the size of our investment portfolio in the future. Although we will endeavor to allocate investment opportunities in a fair and equitable manner, including in accordance with the conditions set forth in any exemptive order issued by the SEC when relying on such order, we may face conflicts in allocating investment opportunities between us and HMS Income. We have implemented an allocation policy to ensure the equitable distribution of investment opportunities and, as a result, may be unable to participate in certain investments prior to receiving such relief.

Table of Contents

***Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.***

Our business will require capital to operate and grow. We may acquire such additional capital from the following sources:

*Senior Securities.* We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities. As a result of issuing senior securities, we will be exposed to additional risks, including the following:

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we will be prohibited from issuing debt securities or preferred stock and/or borrowing money from banks or other financial institutions and may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.

Any amounts that we use to service our debt or make payments on preferred stock will not be available for dividends to our common stockholders.

It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities and other indebtedness.

Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock.

*Additional Common Stock.* We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our Board of Directors determines that such sale is in the best interests of our stockholders, and our stockholders approve such sale. See " Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion of the risks related to us issuing shares of our common stock below net asset value. Our stockholders have authorized us to issue warrants, options or rights to subscribe for, convert to, or purchase shares of our common stock at a price per share below the net asset value per share, subject to the applicable requirements of the 1940 Act. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.



Table of Contents

***The Funds are licensed by the SBA, and therefore subject to SBA regulations.***

MSMF and MSC II, our wholly owned subsidiaries, are licensed to act as SBICs and are regulated by the SBA. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. If the Funds fail to comply with applicable SBIC regulations, the SBA could, depending on the severity of the violation, limit or prohibit their use of SBIC debentures, declare outstanding SBIC debentures immediately due and payable, and/or limit them from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. Such actions by the SBA would, in turn, negatively affect us.

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

Borrowings, also known as leverage, magnify the potential for loss on investments in our indebtedness and gain or loss on investments in our equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our outstanding indebtedness. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

As of December 31, 2013, we, through the Funds, had \$200.2 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 3.8% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted average remaining maturity of 7.3 years as of December 31, 2013, and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us.

In addition, as of December 31, 2013, we had \$237.0 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate (0.17% as of December 31, 2013) plus 2.25% or (ii) the applicable base rate (Prime Rate, 3.25% as of December 31, 2013) plus 1.25%. Main Street pays unused

Table of Contents

commitment fees of 0.25% per annum on the average unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us.

In April 2013, we issued \$92.0 million in aggregate principal amount of 6.125% Notes due 2023 (the "Notes"). As of December 31, 2013, the outstanding balance of the Notes was \$90.9 million. The Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street's option on or after April 1, 2018. The Notes bear interest at a rate of 6.125%.

*Illustration.* The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

**Assumed Return on Our Portfolio(1)  
(net of expenses)**

	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder(2)	(19.5)%	(11.0)%	(2.4)%	6.2%	14.8%

- (1) Assumes \$1.36 billion in total assets, \$528.1 million in debt outstanding, \$792.5 million in net assets, and a weighted average interest rate of 3.6%. Actual interest payments may be different.
- (2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our December 31, 2013 total assets of at least 1.4%.

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

***All of our assets are subject to security interests under our secured Credit Facility or subject to a superior claim over our stockholders by the SBA and if we default on our obligations under the Credit Facility or with respect to our SBA-guaranteed debentures, we may suffer adverse consequences, including foreclosure on our assets.***

All of our assets are currently pledged as collateral under our Credit Facility or subject to a superior claim over our stockholders by the SBA. If we default on our obligations under the Credit Facility or our SBA-guaranteed debentures, the lenders and/or the SBA may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated. As a result, we could be forced to curtail or cease new investment activities and lower or eliminate the dividends that we have historically paid to our stockholders. In addition, if the lenders exercise their

Table of Contents

right to sell the assets pledged under our Credit Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Credit Facility.

***Pending legislation may allow us to incur additional leverage.***

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Recent legislation introduced in the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%. In addition, recent legislation introduced in the U.S. Senate would modify SBA regulations in a manner that may permit us to issue additional SBIC debentures above the current regulatory maximum amount of \$225.0 million. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in our securities may increase.

***Further downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.***

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***It is unclear how increased regulatory oversight and changes in the method for determining LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.***

As a result of concerns about the accuracy of the calculation of LIBOR, a number of British Bankers' Association, or BBA, member banks entered into settlements with certain regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR, and there are ongoing investigations by regulators and governmental authorities in various jurisdictions. Following a review of LIBOR conducted at the request of the U.K. government, on September 28, 2012, recommendations for reforming the setting and governing of LIBOR were released, which are referred to as the Wheatley Review. The Wheatley Review made a number of recommendations for changes with respect to LIBOR, including the introduction of S-5 statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the BBA to an independent administrator, changes to the method of the compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting and a reduction in the number of currencies and tenors for which LIBOR is published. Based on the Wheatley Review and on a subsequent public and governmental consultation process, on March 25, 2013, the U.K. Financial Services Authority published final rules for the U.K. Financial Conduct Authority's regulation and supervision of LIBOR, which are referred to as the FCA Rules. In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts

Table of Contents

of interest policy and appropriate systems and controls. The FCA Rules took effect on April 2, 2013, and on July 9, 2013, NYSE Euronext was chosen to serve as the independent LIBOR administrator commencing in 2014. It is uncertain what additional regulatory changes or what changes, if any, in the method of determining LIBOR may be required or made by the U.K. government or other governmental or regulatory authorities. Accordingly, uncertainty as to the nature of such changes may adversely affect the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

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

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

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

Our Board of Directors has the authority to modify or waive our current operating policies, investment criteria and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay interest and principal payments to holders of our debt instruments and dividends to our stockholders and cause our investors to lose all or part of their investment in us.

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

To maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements:

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see "Material U.S. Federal Income Tax Considerations Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. In addition, because we receive non-cash

Table of Contents

sources of income such as PIK interest which involves us recognizing income without receiving the cash representing such income, we may have difficulty meeting the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

The source income requirement will be satisfied if we obtain at least 90% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.

The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain "qualified publicly traded partnerships."

Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Moreover, if we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

***We may not be able to pay distributions to our stockholders, our distributions may not grow over time, and a portion of distributions paid to our stockholders may be a return of capital, which is a distribution of the stockholders' invested capital.***

We intend to pay monthly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of cash distributions, previously projected distributions for future periods, or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. All distributions will be paid at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, each of the Funds' compliance with applicable SBIC regulations and such other factors as our Board of Directors may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

When we make monthly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes, which may result in higher tax liability when the shares are sold, even if they have not increased in value or have lost value. In addition, any return of capital will be net of any sales load and offering expenses associated with sales of shares of our common stock. In the future, our distributions may include a return of capital.

***We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income.***

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with

Table of Contents

the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument, if we invest in a debt investment at a discount to the par value of the debt security or possibly in other circumstances; (ii) contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term, subject to adequate profitability at the portfolio company; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the year ended December 31, 2013, (i) approximately 4.3% of our total investment income was attributable to PIK income not paid currently in cash, (ii) approximately 3.3% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 1.2% of our total investment income was attributable to cumulative dividend income not paid currently in cash, and (iv) approximately 1.3% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to maintain RIC tax treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax. For additional discussion regarding the tax implications of a RIC, please see "Material U.S. Federal Income Tax Considerations Taxation as a Regulated Investment Company."

***We may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.***

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The IRS has issued private letter rulings providing that a dividend payable in stock or in cash at the election of the stockholders will be treated as a taxable dividend eligible for the dividends paid deduction provided that at least 20% of the total dividend is payable in cash and certain other requirements are satisfied. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such dividend is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Table of Contents

***Each of the Funds, as an SBIC, may be unable to make distributions to us that will enable us to meet or maintain RIC status, which could result in the imposition of an entity-level tax.***

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from the Funds. We will be partially dependent on the Funds for cash distributions to enable us to meet the RIC distribution requirements. The Funds may be limited by the Small Business Investment Act of 1958, and SBIC regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for the Funds to make certain distributions to maintain our eligibility for RIC status. We cannot assure you that the SBA will grant such waiver and if the Funds are unable to obtain a waiver, compliance with the SBIC regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

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

In order to satisfy the requirements applicable to a RIC and to minimize corporate-level taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income. We may carry forward excess undistributed taxable income into the next year, net of the 4% excise tax. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. As a BDC, we generally are required to meet an asset coverage ratio, as defined in the 1940 Act, of at least 200% immediately after each issuance of senior securities. This requirement limits the amount that we may borrow and may prohibit us from making distributions. Because we will continue to need capital to grow our Investment Portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

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

***Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.***

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2013 Annual Meeting of Stockholders, and we are not seeking such authorization at our 2014 Annual Meeting of Stockholders, because our common stock price per share has been trading significantly above the current net asset value per share of our common stock. We may, however, seek such authorization at future annual meetings or special meetings of stockholders. At our 2008 annual meeting of stockholders, our stockholders approved a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or purchase shares of our common

Table of Contents

stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below net asset value per share, such sales would result in an immediate dilution to the net asset value per share. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. In addition, if we issue securities to subscribe to, convert to or purchase shares of common stock, the exercise or conversion of such securities would increase the number of outstanding shares of our common stock. Any such exercise would be dilutive to the voting power of existing stockholders, and could be dilutive with regard to dividends and our net asset value, and other economic aspects of the common stock.

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted; however, the example below illustrates the effect of dilution to existing stockholders resulting from the sale of common stock at prices below the net asset value of such shares. Please see "Sales of Common Stock Below Net Asset Value" for a more complete discussion of the potentially dilutive impacts of an offering at a price less than net asset value, or NAV, per share.

*Illustration: Example of Dilutive Effect of the Issuance of Shares Below Net Asset Value.* Assume that Company XYZ has 1,000,000 total shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The net asset value per share of the common stock of Company XYZ is \$10.00. The following table illustrates the reduction to net asset value, or NAV, and the dilution experienced by Stockholder A following the sale of 40,000 shares of the common stock of Company XYZ at \$9.50 per share, a price below its NAV per share.

	Prior to Sale Below NAV	Following Sale Below NAV	Percentage Change
<b>Reduction to NAV</b>			
Total Shares Outstanding	1,000,000	1,040,000	4.0%
NAV per share	\$ 10.00	\$ 9.98	(0.2)%
<b>Dilution to Existing Stockholder</b>			
Shares Held by Stockholder A	10,000	10,000(1)	0.0%
Percentage Held by Stockholder A	1.00%	0.96%	(3.8)%
Total Interest of Stockholder A in NAV	\$ 100,000	\$ 99,808	(0.2)%

(1) Assumes that Stockholder A does not purchase additional shares in the sale of shares below NAV.

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

We, the Funds, and our portfolio companies are subject to applicable local, state and federal laws and regulations, including, without limitation, federal immigration laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage, through the Funds, and therefore, our ability to compete with other finance companies.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new



Table of Contents

or different opportunities. Such changes could result in material differences to the strategies and plans set forth herein and may result in our investment focus shifting from the areas of expertise of our investment team to other types of investments in which our investment team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

***Terrorist attacks, acts of war or natural disasters may affect any market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.***

Terrorist acts, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

***We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.***

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunications outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

**Risks Related to Our Investments**

***Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment.***

Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

Table of Contents

may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation, termination, or significant under-performance of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

generally have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

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

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

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

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

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

Table of Contents

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

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

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

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

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

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

Table of Contents

Finally, the value of the collateral securing our debt investment will ultimately depend on market and economic conditions, the availability of buyers and other factors. Therefore, there can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by our first or second priority liens. There is also a risk that such collateral securing our investments will decrease in value over time, will be difficult to sell in a timely manner, will be difficult to appraise and will fluctuate in value based upon the success of the portfolio company and market conditions. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by our second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

***We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.***

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

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

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

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

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to non-payment of interest and other defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

***Any unrealized depreciation we experience in our portfolio may be an indication of future realized losses, which could reduce our income and gains available for distribution.***

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our portfolio could be an indication of a portfolio company's inability to

Table of Contents

meet its repayment obligations to us with respect to affected loans or a potential impairment of the value of affected equity investments. This could result in realized losses in the future and ultimately in reductions of our income and gains available for distribution in future periods.

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

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

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

Some of our debt investments will bear interest at variable rates and the interest income from these investments could be negatively affected by decreases in market interest rates. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Also, an increase in interest rates available to investors could make an investment in our securities less attractive than alternative investments, a situation which could reduce the value of our securities. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates. A decrease in market interest rates may also adversely impact our returns on idle funds, which would reduce our net investment income.

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

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

Table of Contents

***Our Marketable securities and idle funds investments are subject to risks similar to our portfolio company investments.***

Marketable securities and idle funds investments can include, among other things, secured and unsecured debt investments, independently rated debt investments, diversified bond funds and publicly traded debt and equity securities. Many of these investments in debt obligations are, or would be if rated, below investment grade quality. Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, similar to our portfolio investments in our portfolio companies. See " Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment." Many of these Marketable securities and idle funds investments are purchased through over the counter or other markets and are therefore liquid at the time of purchase but may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. See " The lack of liquidity in our investments may adversely affect our business" for a description of risks related to holding illiquid investments. In addition, domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may materially affect the market price of our Marketable securities and idle funds investments. Other risks that our portfolio investments are subject to are also applicable to these Marketable securities and idle funds investments.

***Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.***

Our investments in foreign securities may involve significant risks in addition to the risks inherent in investments in U.S. securities. Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in securities of U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments will be U.S. dollar denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

**Risks Relating to Our Securities**

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

Shares of closed-end investment companies, including BDCs, may trade at a discount to net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below net asset value, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. See " Risks Relating to Our Business and Structure Stockholders may incur dilution if we sell shares of

Table of Contents

our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion of a proposal approved by our stockholders that permits us to issue shares of our common stock below net asset value.

***We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.***

Delays in investing the net proceeds raised in an offering or from exiting an investment or other capital may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of any offering or from exiting an investment or other capital on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest the capital primarily in Marketable securities and idle funds investments, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

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

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

***The market price of our securities may be volatile and fluctuate significantly.***

Fluctuations in the trading prices of our securities may adversely affect the liquidity of the trading market for our securities and, if we seek to raise capital through future securities offerings, our ability to raise such capital. The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs, BDCs or SBICs;

the exclusion of our common stock from certain market indices, such as the Russell 2000 Financial Services Index, could reduce the ability of certain investment funds to own our common stock and put short term selling pressure on our common stock;

Table of Contents

inability to obtain any exemptive relief that may be required by us in the future from the SEC;

loss of our BDC or RIC status or either of the Funds' status as an SBIC;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

any shortfall in our investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;

loss of a major funding source;

fluctuations in interest rates;

the operating performance of companies comparable to us;

departure of our key personnel;

global or national credit market changes; and

general economic trends and other external factors.

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

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third-party bids for ownership of our company. These provisions may prevent any premiums being offered to you for our common stock.



Table of Contents

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

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

our future operating results and dividend projections;

our business prospects and the prospects of our portfolio companies;

the impact of the investments that we expect to make;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

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

changes in the economy;

risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; and

future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this prospectus and will base the forward-looking statements included in any accompanying prospectus supplement on information available to us on the date of this prospectus and any accompanying prospectus supplement, as appropriate, and we assume no obligation to update any such forward-looking statements, except as required by law. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you, including in the form of a prospectus supplement or post-effective amendment to the registration statement, or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Table of Contents

**USE OF PROCEEDS**

We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest-bearing deposits or other short-term instruments. See "Risk Factors Risks Relating to Our Securities We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results." The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such an offering.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "MAIN." Prior to October 14, 2010, our common stock was traded on the NASDAQ Global Select Market under the same symbol "MAIN." Our common stock began trading on the NASDAQ Global Select Market on October 5, 2007. Prior to that date, there was no established public trading market for our common stock.

The following table sets forth, for each fiscal quarter during 2014, 2013 and 2012, the range of high and low closing prices of our common stock as reported on the NYSE, and the sales price as a percentage of the net asset value per share of our common stock.

	NAV(1)	Price Range		Premium of High Sales Price to NAV(2)	Premium of Low Sales Price to NAV(2)
		High	Low		
<b>Year ending December 31, 2014</b>					
Second Quarter (through May 6, 2014)	* \$	33.54	\$ 31.02	*	*
First Quarter	*	35.69	32.23	*	*
<b>Year ending December 31, 2013</b>					
Fourth Quarter	\$ 19.89	\$ 33.13	\$ 29.70	67%	49%
Third Quarter	20.01	31.08	27.41	55%	37%
Second Quarter	18.72	32.13	26.43	72%	41%
First Quarter	18.55	34.38	30.44	85%	64%
<b>Year ending December 31, 2012</b>					
Fourth Quarter	\$ 18.59	\$ 30.84	\$ 27.50	66%	48%
Third Quarter	17.49	29.53	24.25	69%	39%
Second Quarter	16.89	26.68	22.04	58%	30%
First Quarter	15.72	25.61	21.18	63%	35%

- (1) Net asset value per share, or NAV, is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the first or second quarters of 2014.
- (2) Represents the premium of the respective high or low share price to the NAV for such quarter.

On May 6, 2014 the last sale price of our common stock on the NYSE was \$31.02 per share, and there were approximately 195 holders of record of the common stock which did not include stockholders for whom shares are held in "nominee" or "street name." The net asset value per share of our common stock on December 31, 2013 (the last date prior to the date of this prospectus on which we determined our net asset value per share) was \$19.89, and the May 6, 2014 closing price of our common stock was a 56% premium to this net asset value per share.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value per share or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below net asset value per share. Since our IPO in October 2007, our shares of common stock have traded at prices both less than and exceeding our net asset value per share.

We currently pay monthly dividends to our stockholders. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis. In addition to our monthly dividends, in January 2013 we began paying periodic supplemental dividends out of our undistributed taxable income, or spillover income. Our future supplemental dividends, if any, will be determined by our Board of Directors on a periodic basis.

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

The following table summarizes our dividends declared to date:

Date Declared	Record Date	Payment Date	Amount(1)
<b>Fiscal year 2014</b>			
May 6, 2014	August 20, 2014	September 15, 2014	\$ 0.165
May 6, 2014	July 21, 2014	August 15, 2014	\$ 0.165
May 6, 2014	June 30, 2014	July 15, 2014	\$ 0.165
April 21, 2014	June 20, 2014	June 25, 2014	\$ 0.275(2)
February 26, 2014	May 20, 2014	June 16, 2014	\$ 0.165
February 26, 2014	April 21, 2014	May 15, 2014	\$ 0.165
February 26, 2014	March 20, 2014	April 15, 2014	\$ 0.165
November 6, 2013	February 20, 2014	March 14, 2014	\$ 0.165
November 6, 2013	January 21, 2014	February 14, 2014	\$ 0.165
November 6, 2013	December 30, 2013	January 15, 2014	\$ 0.165(3)
Total			\$ 1.760

<b>Fiscal year 2013</b>			
November 20, 2013	December 19, 2013	December 24, 2013	\$ 0.250(2)(3)
August 6, 2013	November 21, 2013	December 16, 2013	\$ 0.160(3)
August 6, 2013	October 21, 2013	November 15, 2013	\$ 0.160(3)
August 6, 2013	September 20, 2013	October 15, 2013	\$ 0.160(3)
May 13, 2013	July 22, 2013	July 26, 2013	\$ 0.200(2)(3)
May 8, 2013	May 21, 2013	September 16, 2013	\$ 0.155(3)
May 8, 2013	July 17, 2013	August 15, 2013	\$ 0.155(3)
May 8, 2013	June 18, 2013	July 15, 2013	\$ 0.155(3)
March 5, 2013	May 21, 2013	June 14, 2013	\$ 0.155(3)
March 5, 2013	April 19, 2013	May 15, 2013	\$ 0.155(3)
March 5, 2013	March 21, 2013	April 15, 2013	\$ 0.155(3)
November 6, 2012	February 21, 2013	March 15, 2013	\$ 0.150(3)
November 6, 2012	January 18, 2013	February 15, 2013	\$ 0.150(3)
November 6, 2012	January 4, 2013	January 23, 2013	\$ 0.350(2)(3)
November 6, 2012	December 20, 2012	January 15, 2013	\$ 0.150(4)
Total			\$ 2.660

<b>Fiscal year 2012</b>			
July 31, 2012	November 21, 2012	December 14, 2012	\$ 0.150(4)
July 31, 2012	October 19, 2012	November 15, 2012	\$ 0.150(4)
July 31, 2012	September 20, 2012	October 15, 2012	\$ 0.150(4)
May 1, 2012	August 21, 2012	September 14, 2012	\$ 0.145(4)
May 1, 2012	July 20, 2012	August 15, 2012	\$ 0.145(4)
May 1, 2012	June 21, 2012	July 16, 2012	\$ 0.145(4)
March 6, 2012	May 21, 2012	June 15, 2012	\$ 0.140(4)
March 6, 2012	April 20, 2012	May 15, 2012	\$ 0.140(4)
March 6, 2012	March 21, 2012	April 16, 2012	\$ 0.140(4)
December 8, 2011	February 22, 2012	March 15, 2012	\$ 0.135(4)
December 8, 2011	January 18, 2012	February 15, 2012	\$ 0.135(4)
December 8, 2011	December 21, 2011	January 16, 2012	\$ 0.135(5)
Total			\$ 1.710

Edgar Filing: Main Street Capital CORP - Form 497

**Fiscal year 2011**

August 4, 2011	November 21, 2011	December 15, 2011	\$	0.135(5)
August 4, 2011	October 20, 2011	November 15, 2011	\$	0.135(5)
August 4, 2011	September 21, 2011	October 14, 2011	\$	0.135(5)
June 7, 2011	June 22, 2011	July 15, 2011	\$	0.130(5)
June 7, 2011	July 21, 2011	August 15, 2011	\$	0.130(5)
June 7, 2011	August 19, 2011	September 15, 2011	\$	0.130(5)
March 9, 2011	March 24, 2011	April 15, 2011	\$	0.130(5)
March 9, 2011	April 21, 2011	May 16, 2011	\$	0.130(5)
March 9, 2011	May 20, 2011	June 15, 2011	\$	0.130(5)
December 9, 2010	February 22, 2011	March 15, 2011	\$	0.125(5)
December 9, 2010	January 20, 2011	February 15, 2011	\$	0.125(5)
December 9, 2010	January 6, 2011	January 14, 2011	\$	0.125(5)
<b>Total</b>			\$	<b>1.560</b>

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Date Declared	Record Date	Payment Date	Amount(1)
<b>Fiscal year 2010</b>			
Total			\$ 1.500(6)
<b>Fiscal year 2009</b>			
Total			\$ 1.500(7)(8)
<b>Fiscal year 2008</b>			
Total			\$ 1.425(8)
<b>Fiscal year 2007</b>			
Total			\$ 0.330(9)
Cumulative dividends declared or paid			\$ 12.445

- 
- (1) The determination of the tax attributes of Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Ordinary dividend distributions from a RIC do not qualify for the tax rate applicable to "qualified dividend income" from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.
  - (2) Supplemental dividends paid out of our undistributed taxable income, or spillover income.
  - (3) These dividends attributable to fiscal year 2013 were comprised of ordinary income of \$1.872 per share, long term capital gain of \$0.346 per share, and qualified dividend income of \$0.457 per share, and included dividends with a record date during fiscal year 2013, including the dividend declared and accrued as of December 31, 2013 and paid on January 15, 2014, pursuant to the Code.
  - (4) These dividends attributable to fiscal year 2012 were comprised of ordinary income of \$0.923 per share, long term capital gain of \$0.748 per share, and qualified dividend income of \$0.054 per share, and included dividends with a record date during fiscal year 2012, including the dividend declared and accrued as of December 31, 2012 and paid on January 15, 2013, pursuant to the Code.
  - (5) These dividends attributable to fiscal year 2011 were comprised of ordinary income of \$1.253 per share, long term capital gain of \$0.373 per share, and qualified dividend income of \$0.069 per share, and included dividends with a record date during fiscal year 2011, including the dividend declared and accrued as of December 31, 2011 and paid on January 16, 2012, pursuant to the Code.
  - (6) These dividends attributable to fiscal year 2010 were comprised of ordinary income of \$1.220 per share, long term capital gain of \$0.268 per share, and qualified dividend income of \$0.012 per share.
  - (7) These dividends attributable to fiscal year 2009 were comprised of ordinary income of \$1.218 per share and long term capital gain of \$0.157 per share, and excluding the \$0.125 per share dividend paid on January 15, 2009 that had been declared and accrued as of December 31, 2008, pursuant to the Code.
  - (8) These dividends attributable to fiscal year 2008 were comprised of ordinary income of \$0.953 per share and long term capital gain of \$0.597 per share, and included dividends with a record date during fiscal year 2008, including the \$0.125 per share dividend declared and accrued as of December 31, 2008 and paid on January 15, 2009, pursuant to the Code.
  - (9)

## Edgar Filing: Main Street Capital CORP - Form 497

This quarterly dividend attributable to fiscal year 2007 was comprised of ordinary income of \$0.105 per share and long term capital gain of \$0.225 per share.

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4% nondeductible federal excise tax on certain undistributed taxable income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income, less amounts carried over into the following year, and the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay a 4% excise tax on the amount by which 98% of our annual ordinary taxable income and 98.2% of capital gains exceeds our distributions for the year. We may retain for investment some or all of our

Table of Contents

net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they had received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, our stockholders also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable shares of the tax we paid on the capital gains deemed distributed to them. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The IRS has issued private letter rulings providing that a dividend payable in stock or in cash at the election of the stockholders will be treated as a taxable dividend eligible for the dividends paid deduction provided that at least 20% of the total dividend is payable in cash and certain other requirements are satisfied. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such dividend is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.



Table of Contents**RATIOS OF EARNINGS TO FIXED CHARGES**

The following table contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus.

	<b>For the Year Ended December 31, 2013</b>	<b>For the Year Ended December 31, 2012</b>	<b>For the Year Ended December 31, 2011</b>	<b>For the Year Ended December 31, 2010</b>	<b>For the Year Ended December 31, 2009</b>
Earnings to Fixed Charges(1)	5.78	8.37	6.21	5.52	3.55

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

Table of Contents**SELECTED FINANCIAL DATA**

The selected financial and other data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes included in this prospectus.

	Years Ended December 31,				
	2013	2012	2011	2010	2009
(dollars in thousands)					
<b>Statement of operations data:</b>					
Investment income:					
Total interest, fee and dividend income	\$ 115,158	\$ 88,858	\$ 65,045	\$ 35,645	\$ 14,514
Interest from idle funds and other	1,339	1,662	1,195	863	1,488
<b>Total investment income</b>	<b>116,497</b>	<b>90,520</b>	<b>66,240</b>	<b>36,508</b>	<b>16,002</b>
Expenses:					
Interest	(20,238)	(15,631)	(13,518)	(9,058)	(3,791)
Compensation	(8,560)				
General and administrative	(4,877)	(2,330)	(2,483)	(1,437)	(1,351)
Share-based compensation	(4,210)	(2,565)	(2,047)	(1,489)	(1,068)
Expenses reimbursed to Internal Investment Manager	(3,189)	(10,669)	(8,915)	(5,263)	(570)
<b>Total expenses</b>	<b>(41,074)</b>	<b>(31,195)</b>	<b>(26,963)</b>	<b>(17,247)</b>	<b>(6,780)</b>
<b>Net investment income</b>	<b>75,423</b>	<b>59,325</b>	<b>39,277</b>	<b>19,261</b>	<b>9,222</b>
Total net realized gain (loss) from investments	7,277	16,479	2,639	(2,880)	(7,798)
Total net realized loss from SBIC debentures	(4,775)				
<b>Net realized income</b>	<b>77,925</b>	<b>75,804</b>	<b>41,916</b>	<b>16,381</b>	<b>1,424</b>
Total net change in unrealized appreciation from investments	14,503	44,464	34,989	13,046	8,881
Total net change in unrealized appreciation (depreciation) from SBIC debentures and investment in the Internal Investment Manager	4,392	(5,004)	(6,511)	6,593	(639)
Income tax benefit (provision)	35	(10,820)	(6,288)	(941)	2,290
Bargain purchase gain				4,891	
<b>Net increase in net assets resulting from operations</b>	<b>96,855</b>	<b>104,444</b>	<b>64,106</b>	<b>39,970</b>	<b>11,956</b>
Noncontrolling interest		(54)	(1,139)	(1,226)	
<b>Net increase in net assets resulting from operations attributable to common stock</b>	<b>\$ 96,855</b>	<b>\$ 104,390</b>	<b>\$ 62,967</b>	<b>\$ 38,744</b>	<b>\$ 11,956</b>
<b>Net investment income per share basic and diluted</b>	<b>\$ 2.06</b>	<b>\$ 2.01</b>	<b>\$ 1.69</b>	<b>\$ 1.16</b>	<b>\$ 0.92</b>
<b>Net realized income per share basic and diluted</b>	<b>\$ 2.13</b>	<b>\$ 2.56</b>	<b>\$ 1.80</b>	<b>\$ 0.99</b>	<b>\$ 0.14</b>
<b>Net increase in net assets resulting from operations attributable to common stock per share basic and diluted</b>	<b>\$ 2.65</b>	<b>\$ 3.53</b>	<b>\$ 2.76</b>	<b>\$ 2.38</b>	<b>\$ 1.19</b>
<b>Weighted average shares outstanding basic and diluted</b>	<b>36,617,850</b>	<b>29,540,114</b>	<b>22,850,299</b>	<b>16,292,846</b>	<b>10,042,639</b>

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

	As of December 31,				
	2013	2012	2011	2010	2009
	(dollars in thousands)				
<b>Balance sheet data:</b>					
Assets:					
Total portfolio investments at fair value	\$ 1,286,188	\$ 924,431	\$ 658,093	\$ 407,987	\$ 159,154
Marketable securities and idle funds investments	13,301	28,535	26,242	9,577	839
Cash and cash equivalents	34,701	63,517	42,650	22,334	30,620
Interest receivable and other assets	16,054	14,580	6,539	4,524	1,510
Deferred tax asset, net				1,958	2,716
Deferred financing costs, net of accumulated amortization	9,931	5,162	4,168	2,544	1,611
<b>Total assets</b>	<b>\$ 1,360,175</b>	<b>\$ 1,036,225</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>
Liabilities and net assets:					
SBIC debentures at fair value(1)	\$ 187,050	\$ 211,467	\$ 201,887	\$ 155,558	\$ 65,000
Credit facility	237,000	132,000	107,000	39,000	
Notes payable	90,882				
Payable for securities purchased	27,088	20,661			
Accounts payable and other liabilities	10,549	8,593	7,001	1,188	721
Dividend payable	6,577	5,188	2,856		
Deferred tax liability, net	5,940	11,778	3,776		
Interest payable	2,556	3,562	3,984	3,195	1,069
<b>Total liabilities</b>	<b>567,642</b>	<b>393,249</b>	<b>326,504</b>	<b>198,941</b>	<b>66,790</b>
<b>Total net asset value</b>	<b>792,533</b>	<b>642,976</b>	<b>405,711</b>	<b>245,535</b>	<b>129,660</b>
<b>Noncontrolling interest</b>			<b>5,477</b>	<b>4,448</b>	
<b>Total liabilities and net assets</b>	<b>\$ 1,360,175</b>	<b>\$ 1,036,225</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>
<b>Other data:</b>					
Weighted average effective yield on LMM debt investments(2)	14.7%	14.3%	14.8%	14.5%	14.3%
Number of LMM portfolio companies	62	56	54	44	35
Weighted average effective yield on Middle Market debt investments(2)	7.8%	8.0%	9.5%	10.5%	11.8%
Number of Middle Market portfolio companies	92	79	57	32	6
Weighted average effective yield on Private Loan debt investments(2)	11.3%	14.8%			
Number of Private Loan portfolio companies	15	9			
Expense ratios (as percentage of average net assets):					
Total expenses, including income tax expense	5.8%	8.2%(3)	9.8%(3)	8.8%(3)	5.6%
Operating expenses	5.8%	6.1%(3)	8.0%(3)	8.3%(3)	5.6%
Operating expenses, excluding interest expense	3.0%	3.0%(3)	4.0%(3)	4.0%(3)	2.5%

(1) SBIC debentures for December 31, 2013, 2012 and 2011 are \$200,200, 225,000 and \$220,000 at par, respectively, with par of \$75,200, \$100,000 and \$95,000 recorded at fair value of \$62,050, \$86,467 and \$76,887, as of December 31, 2012, 2011 and 2010, respectively. SBIC debentures for December 31, 2009 are recorded at par.

- (2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status.
- (3) Ratios are net of amounts attributable to MSC II non-controlling interest.

Table of Contents

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

*The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this prospectus.*

*Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" in this prospectus.*

**ORGANIZATION**

Main Street Capital Corporation ("MSCC") was formed in March 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 "Internal 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 Internal Investment Manager acts as MSMF's manager and investment adviser. Because the Internal Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by us, we do not pay any external investment advisory fees, but instead we incur the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

During January 2010, MSCC acquired (the "Exchange Offer") 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") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management advisory and other services to parties other than MSCC and its subsidiaries ("External Parties") and to receive fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission to allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"), to provide investment management services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC, since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries.

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

Table of Contents

"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 Investment Managers are both also direct wholly owned subsidiaries that have elected to be taxable entities. The Taxable Subsidiaries and the Investment Managers 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, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the loans made in our LMM portfolio or Middle Market portfolio.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement through the Internal Investment Manager to provide the External Investment Manager with asset management service support for HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. Beginning in the first quarter of 2014, we charge the External Investment Manager a fee for the use of these services. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

Table of Contents

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2012, we had debt and equity investments in 56 LMM portfolio companies with an aggregate fair value of approximately \$482.9 million, with a total cost basis of approximately \$380.5 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.3%. As of December 31, 2012, approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2012, we had equity ownership in approximately 93% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and typically have an expected duration of between three and five years.

As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio company investments was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. As of December 31, 2012, we had Middle Market portfolio investments in 79 companies, collectively totaling approximately \$352.0 million in fair value with a total cost basis of approximately \$348.1 million. The weighted average EBITDA for the 79 Middle Market portfolio company investments was approximately \$93.5 million as of

Table of Contents

December 31, 2012. As of December 31, 2012, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 91% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.0% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio company investments was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, 95% of our Private Loan portfolio investments were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. As of December 31, 2012, we had Private Loan portfolio investments in 9 companies, collectively totaling approximately \$65.5 million in fair value with a total cost basis of approximately \$64.9 million. The weighted average EBITDA for the 9 Private Loan portfolio company investments was approximately \$45.6 million as of December 31, 2012. As of December 31, 2012, approximately 99% of our Private Loan portfolio investments were in the form of debt investments and all such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 14.8% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

As of December 31, 2013, we had Other Portfolio investments in six companies collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised 3.3% of our Investment Portfolio at fair value as of December 31, 2013. As of December 31, 2012, we had Other Portfolio investments in three companies, collectively totaling approximately \$24.1 million in fair value and approximately \$23.6 million in cost basis and which comprised 2.6% of our Investment Portfolio at fair value as of December 31, 2012.

As discussed further above, we hold an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2013, we had no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio.

During 2013, we began categorizing certain of our portfolio investments that were previously categorized as LMM portfolio investments or Middle Market portfolio investments as Private Loan portfolio investments to provide a separate classification based upon the nature in which such investments are originated. During the year ended December 31, 2013, there were ten portfolio company investment transfers from the LMM and Middle Market portfolio investment categories to the Private Loan portfolio investment category totaling \$69.6 million in fair value and \$69.0 million in cost on the date of transfer.



Table of Contents

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes. An investor's return in MSCC will depend, in part, on the Funds' investment returns as MSMF and MSC II are both wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

MSCC and its consolidated subsidiaries are internally managed by the Internal Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Internal Investment Manager is wholly owned by MSCC, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the year ended December 31, 2013, the ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock (as discussed further below in "Discussion and Analysis of Results of Operations Comparison of the years ended December 31, 2013 and 2012"), as a percentage of our quarterly average total assets was 1.7% compared to 1.8% for the year ended December 31, 2012. Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended 2013 would have been 1.8%.

During May 2012, MSCC entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income Fund, Inc. ("HMS Income"), a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining no-action relief from the SEC to allow us to own a registered investment adviser, MSCC assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, MSCC and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither MSCC nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither is due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement. Neither MSCC nor the External Investment Manager has

Table of Contents

waived the External Investment Manager's management or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014.

**CRITICAL ACCOUNTING POLICIES***Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For the years ended December 31, 2013, 2012 and 2011 and as of December 31, 2013 and 2012, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries (as noted above and as discussed in detail below, beginning April 1, 2013, the consolidated subsidiaries include the Internal Investment Manager which was previously treated as a portfolio investment). The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Other Portfolio investments, investment in the External Investment Manager and investment in the Internal Investment Manager (for all periods up to and including March 31, 2013) but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the Internal Investment Manager (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for additional discussion of our Investment Portfolio and definitions for the terms LMM, Middle Market, Private Loan and Other Portfolio). For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see Note D) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.11.). Our results of operations and cash flows for the years ended December 31, 2013, 2012 and 2011 and financial position as of December 31, 2013 and 2012, are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current presentation, including certain investments previously included as part of the LMM portfolio or Middle Market portfolio that are now classified as part of the Private Loan portfolio, the reclassification of Investment Portfolio and Marketable securities and idle funds investment related activity from cash flows from investing activities to cash flows from operating activities and the reclassification of certain amounts between accumulated net realized gain from investments and accumulated net investment income.

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"), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in the AICPA Guide occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us, or to an investment company of ours. None of the portfolio investments made by us qualify for this exception, including the investment in the External Investment Manager, except as discussed below with respect to the Internal Investment Manager. Therefore, the Investment Portfolio is carried on the balance sheet at fair value, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on our 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." For all periods prior to and including March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment and included as part of the Investment Portfolio in our consolidated financial statements. The Internal Investment Manager was

Table of Contents

consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013 as the controlled operating subsidiary began providing substantially all of its services directly or indirectly to Main Street or its portfolio companies.

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2013 and 2012, approximately 95% and 89% of our total assets at each date represented our Investment Portfolio valued at fair value. We are required to report our investments at fair value. We follow 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.

Our business strategy calls for us to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We also categorize some of our investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are typically debt securities issued by companies that are consistent in size with either the LMM companies or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. All of these portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of our portfolio.

For LMM portfolio investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For Middle Market portfolio investments, we primarily use 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, we generally use either unobservable inputs through obtaining third party quotes or other independent pricing or an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, "control" LMM portfolio investments are composed of debt and equity securities in companies for which we 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 our control LMM portfolio investments. As a result, for control LMM portfolio investments, we generally determine the fair value using a combination of market and income approaches. Under the market approach, we 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

Table of Contents

interest, taxes, depreciation and amortization, or 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, we analyze various factors, including the portfolio company's historical and projected financial results. We allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. We 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, and which includes using a yield-to-maturity 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. The valuation approaches for our control LMM portfolio investments estimate the value of the investment if we were to sell, or exit, the investment. In addition, these valuation approaches consider the value associated with our 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 generally composed of debt and equity securities in companies for which we do 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 our non-control LMM portfolio investments, we typically use a combination of the market and income approaches to value our equity investments and the income approach to value our debt investments similar to the approaches used for our control LMM portfolio investments, and which includes using a yield-to-maturity 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. Our estimate of the expected repayment date of a LMM debt security is generally the legal maturity date of the instrument, as we generally intend to hold our LMM loans and debt securities to maturity. The yield-to-maturity analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield-to-maturity analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the fair value will not exceed the principal amount of the LMM debt security. A change in the assumptions that we use to estimate the fair value of our LMM debt securities using the yield-to-maturity 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, we 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.

Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our Investment Portfolio. For valuation purposes, all of our Middle Market portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing, to the extent such sufficient observable inputs are available to determine fair value. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we generally use either unobservable inputs through obtaining third party quotes or other independent pricing or an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

Table of Contents

Our Private Loan portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in companies that are consistent with the size of companies included in our LMM portfolio or our Middle Market portfolio. For valuation purposes, all of our Private Loan portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. As sufficient observable inputs to determine the fair value of these Private Loan portfolio investments through obtaining third party pricing or other independent pricing are not generally available, we generally use either unobservable inputs through obtaining third party quotes or other independent pricing or an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, all of our Other Portfolio investments are non-control investments for which we generally do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Our Other Portfolio investments comprised 3.3% and 2.6%, respectively, of our Investment Portfolio at fair value as of December 31, 2013 and 2012. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we determine the fair value based on the fair value of the portfolio company as determined by independent third parties and based on our 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, we determine the fair value of these investments through obtaining third party quotes or other independent pricing, to the extent such sufficient observable inputs are available to determine fair value. To the extent observable inputs are not available, we value these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, our investment in the External Investment Manager is a control investment for which we have a controlling interest in the portfolio company and the ability to nominate a majority of the portfolio company's board of directors. Market quotations are not readily available for this investment, and as a result, we determine the fair value of the External Investment Manager using the enterprise value methodology under the market approach. In estimating the enterprise value, we analyze various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market multiples. This valuation approach estimates the value of the investment if we were to sell, or exit, the investment. In addition, we consider the value associated with our ability to control the capital structure of the company, as well as the timing of a potential exit.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio 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. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

***Revenue Recognition***

***Interest and Dividend Income***

We record interest and dividend income on the accrual basis to the extent amounts are expected to be collected. Dividend income is recorded as dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. In accordance with our valuation policy, we evaluate accrued interest and dividend income periodically for collectability. When

Table of Contents

a loan or debt security becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we 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, we will remove it from non-accrual status.

*Fee Income*

We may periodically provide services, including structuring and advisory services, to our portfolio companies or other third parties. 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 deferred and accreted into interest income over the life of the financing.

*Payment-in-Kind ("PIK") Interest and Cumulative Dividends*

We hold debt and preferred equity instruments in our Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We will stop accruing PIK interest and cumulative dividends and will write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible.

*Share-Based Compensation*

We account for our share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation Stock Compensation*. Accordingly, for restricted stock awards, we measured the grant date fair value based upon the market price of our common stock on the date of the grant and will amortize this fair value to share-based compensation expense over the requisite service period or vesting term.

*Income Taxes*

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. 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 applicable fiscal year.

The Taxable Subsidiaries hold certain portfolio investments for us. The Taxable Subsidiaries are consolidated with us for financial reporting purposes, and the portfolio investments held by the Taxable

Table of Contents

Subsidiaries are included in our consolidated financial statements. The principal purpose of the Taxable Subsidiaries is to permit us to hold equity investments in portfolio companies which are "pass through" entities for tax purposes and continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with us for income tax purposes and may generate income tax expense, or benefit, and the related tax assets and liabilities, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, if any, and related tax assets and liabilities, are reflected in our consolidated financial statements.

The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with us for income tax purposes and is taxed at normal corporate tax rates based on its taxable income, or loss, and, as a result of its activities, may generate income tax expense or benefit. The Internal Investment Manager elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Internal Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. Through March 31, 2013, the Internal Investment Manager provided for any income tax expense, or benefit, and any related tax assets or liabilities, in its separate financial statements. Beginning April 1, 2013, the Internal Investment Manager is included in our consolidated financial statements and reflected as a consolidated subsidiary and any income tax expense, or benefit, and any related tax assets and liabilities, are reflected in our consolidated financial statements.

The Taxable Subsidiaries and the Internal Investment Manager 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.

#### **INVESTMENT PORTFOLIO COMPOSITION**

LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. The LMM debt investments are primarily secured by either a first or second lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally mature between five and seven years from the original investment date. In most LMM portfolio companies, we also receive nominally priced equity warrants and/or make direct equity investments, usually in connection with a debt investment.

Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien and typically have a term of between three and five years.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies included in our LMM portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

Table of Contents

Our Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market or Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds. As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised 3.3% of our Investment Portfolio at fair value as of December 31, 2013.

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement through the Internal Investment Manager to provide the External Investment Manager with asset management service support for HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. Beginning in the first quarter of 2014, we charge the External Investment Manager a fee for the use of these services. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of December 31, 2013 and 2012 (this information excludes the Other Portfolio investments, the External Investment Manager and the Internal Investment Manager).

<b>Cost:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
First lien debt	79.0%	81.1%
Equity	10.4%	10.4%
Second lien debt	8.4%	6.0%
Equity warrants	1.9%	1.9%
Other	0.3%	0.6%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
First lien debt	69.9%	72.1%
Equity	19.3%	18.7%
Second lien debt	7.6%	5.4%
Equity warrants	2.9%	3.3%
Other	0.3%	0.5%
	100.0%	100.0%



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

The following tables summarize the composition of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States or other countries at cost and fair value as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2013 and 2012 (this information excludes the Other Portfolio investments, the External Investment Manager and the Internal Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Southwest	27.8%	27.7%
West	19.1%	25.7%
Northeast	18.0%	17.2%
Southeast	15.6%	10.1%
Midwest	15.4%	17.6%
Canada	1.2%	0.0%
Other Non-United States	2.9%	1.7%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Southwest	30.9%	31.3%
West	20.1%	25.3%
Northeast	17.6%	15.8%
Southeast	12.6%	9.1%
Midwest	15.0%	17.0%
Canada	1.1%	0.0%
Other Non-United States	2.7%	1.5%
	100.0%	100.0%

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, by industry at cost and fair value as of December 31, 2013 and 2012 (this information excludes the Other Portfolio investments, the External Investment Manager and the Internal Investment Manager).

Cost:	December 31, 2013	December 31, 2012
Energy Equipment & Services	10.7%	8.4%
Media	7.8%	7.2%
Specialty Retail	7.2%	6.1%
IT Services	6.1%	2.8%
Health Care Providers & Services	5.8%	5.3%
Hotels, Restaurants & Leisure	5.8%	3.5%
Commercial Services & Supplies	5.1%	6.4%
Construction & Engineering	4.1%	4.7%
Software	3.8%	8.3%
Machinery	3.3%	6.7%
Diversified Telecommunication Services	3.3%	0.0%
Oil, Gas & Consumable Fuels	3.2%	1.6%
Road & Rail	2.7%	1.0%
Internet Software & Services	2.5%	0.2%
Diversified Consumer Services	2.4%	3.2%
Electronic Equipment, Instruments & Components	2.3%	2.6%
Textiles, Apparel & Luxury Goods	1.6%	0.7%
Auto Components	1.6%	0.5%
Trading Companies & Distributors	1.5%	1.0%
Professional Services	1.4%	2.2%
Building Products	1.4%	2.0%
Chemicals	1.3%	2.0%
Health Care Equipment & Supplies	1.2%	1.5%
Consumer Finance	1.1%	1.2%
Containers & Packaging	1.0%	1.5%
Food Products	0.9%	2.0%
Metals & Mining	0.7%	2.2%
Aerospace & Defense	0.8%	1.9%
Paper & Forest Products	0.8%	1.0%
Insurance	0.2%	2.0%
Construction Materials	0.2%	1.7%
Communications Equipment	0.0%	1.2%
Other(1)	8.2%	7.4%
	100.0%	100.0%

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

Table of Contents

<b>Fair Value:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Energy Equipment & Services	10.2%	10.2%
Media	7.6%	6.7%
Specialty Retail	6.5%	4.9%
Health Care Providers & Services	5.6%	5.3%
Hotels, Restaurants & Leisure	5.6%	3.5%
IT Services	5.6%	2.5%
Machinery	5.3%	8.3%
Commercial Services & Supplies	4.6%	6.1%
Construction & Engineering	4.6%	5.1%
Software	4.0%	7.9%
Diversified Consumer Services	3.9%	4.0%
Diversified Telecommunication Services	3.6%	0.0%
Road & Rail	3.0%	1.5%
Oil, Gas & Consumable Fuels	2.9%	1.4%
Internet Software & Services	2.9%	0.6%
Electronic Equipment, Instruments & Components	2.4%	2.4%
Auto Components	1.5%	0.4%
Textiles, Apparel & Luxury Goods	1.4%	0.6%
Trading Companies & Distributors	1.3%	1.7%
Paper & Forest Products	1.3%	1.2%
Professional Services	1.2%	2.0%
Chemicals	1.2%	1.8%
Building Products	1.0%	1.5%
Health Care Equipment & Supplies	1.0%	1.3%
Containers & Packaging	0.9%	1.3%
Food Products	0.8%	1.8%
Consumer Finance	0.8%	1.1%
Metals & Mining	0.7%	1.9%
Aerospace & Defense	0.7%	1.7%
Transportation Infrastructure	0.7%	1.0%
Insurance	0.2%	1.8%
Construction Materials	0.1%	1.4%
Communications Equipment	0.0%	1.1%
Other(1)	6.9%	6.0%
	100.0%	100.0%

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments carry a number of risks including, but not limited to: (1) investing in companies which may have limited operating histories and financial resources; (2) holding investments that generally are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in our Investment Portfolio. Please see "Risk Factors - Risks Related to Our Investments" for a more complete discussion of the risks involved with investing in our Investment Portfolio.

Table of Contents**PORTFOLIO ASSET QUALITY**

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including but not limited to each investment's expected level of returns and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook.

Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.

Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations.

Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations.

Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us.

Investment Rating 5 represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new LMM portfolio investments receive an initial Investment Rating of 3.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of December 31, 2013 and 2012.

Investment Rating	As of December 31, 2013		As of December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(dollars in thousands)			
1	\$ 242,013	36.7%	\$ 167,154	34.6%
2	116,908	17.7%	117,157	24.3%
3	239,843	36.4%	174,754	36.2%
4	60,641	9.2%	23,799	4.9%
5		0.0%		0.0%
Total	\$ 659,405	100.0%	\$ 482,864	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio was approximately 2.2 as of December 31, 2013 and 2.1 as of December 31, 2012.

For the total Investment Portfolio, as of December 31, 2013, we had two investments with positive fair value on non-accrual status which comprised approximately 2.3% of the total Investment Portfolio at fair value and 4.7% of the total Investment Portfolio at cost and no fully impaired investments. For the total Investment Portfolio, as of December 31, 2012, we 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, excluding the investment in the affiliated Internal Investment Manager.

The broader fundamentals of the United States economy remain mixed, and unemployment remains elevated. In the event that the United States economy contracts, it is likely that the financial results of small- to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles or other conditions, which could also have a negative impact on our future results.

**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS**

*Comparison of years ended December 31, 2013 and 2012*

	Twelve Months Ended		Net Change	
	December 31,		Amount	%
	2013	2012		
	(dollars in millions)			
Total investment income	\$ 116.5	\$ 90.5	\$ 26.0	29%
Total expenses	(41.1)	(31.2)	(9.9)	32%
Net investment income	75.4	59.3	16.1	27%
Net realized gain from investments	7.3	16.5	(9.2)	(56)%
Net realized loss from SBIC debentures	(4.8)		(4.8)	
Net realized income	77.9	75.8	2.1	3%
Net change in unrealized appreciation from:				
Portfolio investments	16.2	44.7	(28.5)	(64)%
SBIC debentures, marketable securities and idle funds and investment in the Internal Investment Manager	2.8	(5.2)	8.0	
Total net change in unrealized appreciation	19.0	39.5	(20.5)	(52)%
Income tax provision		(10.8)	10.8	
Noncontrolling interest		(0.1)	0.1	
Net increase in net assets resulting from operations attributable to common stock	\$ 96.9	\$ 104.4	\$ (7.5)	(7)%

	Twelve Months Ended		Net Change	
	December 31,		Amount	%
	2013	2012		
	(dollars in millions)			
Net investment income	\$ 75.4	\$ 59.3	\$ 16.1	27%
Share-based compensation expense	4.2	2.6	1.6	64%
Distributable net investment income(a)	79.6	61.9	17.7	29%
Net realized gain from investments	7.3	16.5	(9.2)	(56)%
Net realized loss from SBIC debentures	(4.8)		(4.8)	
Distributable net realized income(a)	82.1	78.4	3.7	5%
Distributable net investment income per share Basic and diluted(a)(b)	\$ 2.17	\$ 2.09	\$ 0.08	4%
Distributable net realized income per share Basic and diluted(a)(b)	\$ 2.24	\$ 2.65	\$ (0.41)	(15)%

(a)

Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. We believe presenting distributable net investment income and

Table of Contents

distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing our financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

(b)

Per share amounts exclude the earnings attributable to the noncontrolling equity interests in MSC II not owned by Main Street for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

*Investment Income*

For the year ended December 31, 2013, total investment income was \$116.5 million, a 29% increase over the \$90.5 million of total investment income for the corresponding period of 2012. This comparable period increase was principally attributable to (i) a \$22.4 million increase in interest income from higher average levels of portfolio debt investments and increased activity in the Investment Portfolio and (ii) a \$3.9 million increase in dividend income from Investment Portfolio equity investments, partially offset by a \$0.3 million decrease in interest and dividend income from Marketable securities and idle funds investments. The \$26.0 million increase in investment income in the year ended December 31, 2013 includes a \$1.7 million decrease in the amount of non-recurring investment income associated with debt repayment and financing activities of LMM portfolio investments included in investment income, partially offset by a \$1.1 million increase in the amount of investment income related to higher accelerated prepayment and repricing activity of certain Middle Market and Private Loan portfolio debt investments and Marketable securities and idle funds investments in each case for the year ended December 31, 2013, when compared to the same period in 2012.

*Expenses*

For the year ended December 31, 2013, total expenses increased to \$41.1 million from \$31.2 million for the corresponding period of 2012. This comparable period increase in expenses was principally attributable to (i) a \$4.6 million increase in interest expense, (ii) higher compensation and related expenses of \$2.1 million, primarily as a result of additional personnel compared to the same period in the prior year, (iii) a \$1.6 million increase in other general and administrative expenses and (iv) an increase of \$1.6 million in share-based compensation, primarily due to \$1.3 million of expense associated with the accelerated vesting of all the unvested shares of restricted stock in connection with the retirement of our former Executive Vice Chairman during the year ended December 31, 2013. The \$4.6 million increase in interest expense was primarily a result of (i) a \$4.4 million increase primarily related to the issuance of the 6.125% Notes ("the Notes") in April 2013 and (ii) a \$1.3 million increase related to a higher average outstanding balance on the Credit Facility, partially offset by a \$1.1 million decrease related to prepayments on our Small Business Investment Company ("SBIC") debentures and lower average interest rates on the SBIC debentures. The ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock of our former Executive Vice Chairman discussed above, as a percentage of our average total assets was 1.7% for the year ended December 31, 2013, compared to 1.8% for the prior year. Including the effect of the



Table of Contents

accelerated vesting of restricted stock of our former Executive Vice Chairman, the ratio would have been 1.8% for the year ended December 31, 2013.

*Distributable Net Investment Income*

Distributable net investment income increased \$17.7 million to \$79.6 million, or \$2.17 per share, compared with \$61.9 million, or \$2.09 per share, in the corresponding period of 2012. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. The distributable net investment income on a per share basis for the year ended December 31, 2013 reflects the impact of a greater number of average shares outstanding compared to the corresponding period in 2012 primarily due to the June 2012, December 2012 and August 2013 follow-on equity offerings.

*Net Investment Income*

Net investment income for the year ended December 31, 2013 was \$75.4 million, or a 27% increase, compared to net investment income of \$59.3 million for the corresponding period of 2012. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income was \$82.1 million, or \$2.24 per share, for the year ended December 31, 2013 compared with \$78.4 million, or \$2.65 per share, in the corresponding period of 2012. The \$3.7 million increase was primarily attributable to higher distributable net investment income in the year ended December 31, 2013 compared to the corresponding period of 2012 as discussed above, partially offset by (i) a decrease in net realized gain from investments of \$9.2 million, to \$7.3 million in 2013 from \$16.5 million in prior year, and (ii) a realized loss of \$4.8 million on the repayment of certain SBIC debentures issued to MSC II which had been accounted for on the fair value method of accounting under ASC 825. The \$7.3 million net realized gain on investments during the year ended December 31, 2013 was primarily attributable to (i) a realized gain of \$11.3 million on the full exit of two LMM equity investments, (ii) realized gains of \$1.0 million on the partial exits of several LMM investments, (iii) net realized gains on several Middle Market and Marketable securities and idle funds investments totaling \$1.9 million, partially offset by (i) realized losses of \$2.6 million on the restructuring of a LMM equity investment and 1.8 million on the full exit of one LMM investment, respectively, and (ii) the realized loss of \$1.8 million on the full exit of one Middle Market investment.

*Net Realized Income*

The lower net realized gain from investments and the realized loss from the SBIC debentures, partially offset by the higher net investment income, in the year ended December 31, 2013 compared to the corresponding period of 2012, in each case as discussed above, resulted in a \$2.1 million increase in net realized income compared with the corresponding period of 2012.

*Net Increase in Net Assets Resulting from Operations Attributable to Common Stock*

The net increase in net assets resulting from operations attributable to common stock during the year ended December 31, 2013 was \$96.9 million, or \$2.65 per share, compared with \$104.4 million, or \$3.53 per share, in the corresponding period of 2012. This \$7.5 million decrease from the comparable period in the prior year was primarily the result of the \$20.5 million difference in the net change in unrealized appreciation to \$19.0 million for the year ended December 31, 2013, compared to \$39.5 million for the comparable period in the prior year, partially offset by (i) a \$10.8 million decrease

Table of Contents

in the net income tax provision and (ii) the \$2.1 million increase in net realized income due to the factors discussed above, both for the year ended December 31, 2013 in comparison to the comparable period in the prior year. The total net change in unrealized appreciation for the year ended December 31, 2013 of \$19.0 million included (i) \$16.2 million of net unrealized appreciation from portfolio investments and (ii) the net unrealized appreciation of \$4.4 million on the SBIC debentures, which resulted from the \$4.8 million of accounting reversals of prior unrealized depreciation on the SBIC debentures in conjunction with the realized loss on the repayment of the SBIC debentures as discussed above, partially offset by net unrealized depreciation of \$0.4 million on the remaining SBIC debentures held by MSC II, partially offset by the net unrealized depreciation from Marketable securities and idle funds investments of \$1.7 million. The \$16.2 million net change in unrealized appreciation from portfolio investments for the year ended December 31, 2013 was principally attributable to (i) unrealized appreciation on 37 LMM portfolio investments totaling \$60.6 million, partially offset by unrealized depreciation on 15 LMM portfolio investments totaling \$38.8 million, (ii) \$3.7 million of net unrealized appreciation on Middle Market investments, (iii) \$1.1 million of net unrealized appreciation on the External Investment Manager and (iv) \$2.2 million of net unrealized appreciation on the Other Portfolio investments, partially offset by accounting reversals of net unrealized appreciation from prior periods of \$12.8 million related to portfolio investment exits and repayments. The net income tax benefit for the year ended December 31, 2013 related to a deferred tax benefit of \$3.6 million, partially offset by an income tax provision on other taxes of \$3.6 million. The deferred taxes related primarily to net unrealized depreciation on equity investments held in our Taxable Subsidiaries. The other taxes include \$1.8 million related to an accrual for excise tax on our estimated spillover taxable income and \$1.8 million related to accruals for state and other taxes.

*Comparison of years ended December 31, 2012 and December 31, 2011*

	Years Ended December 31,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Total investment income	\$ 90.5	\$ 66.2	\$ 24.3	37%
Total expenses	(31.2)	(26.9)	(4.3)	16%
Net investment income	59.3	39.3	20.0	51%
Net realized gain from investments	16.5	2.7	13.8	
Net realized income	75.8	42.0	33.8	81%
Net change in unrealized appreciation from investments	44.5	34.9	9.6	27%
Net change in unrealized appreciation from SBIC debentures and investment in the Internal Investment Manager	(5.0)	(6.5)	1.5	(23)%
Income tax provision	(10.8)	(6.3)	(4.5)	72%
Noncontrolling interest	(0.1)	(1.1)	1.0	
Net increase in net assets resulting from operations attributable to common stock	\$ 104.4	\$ 63.0	\$ 41.4	66%

Table of Contents

	Years Ended December 31,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Net investment income	\$ 59.3	\$ 39.3	\$ 20.0	51%
Share-based compensation expense	2.6	2.0	0.6	25%
Distributable net investment income(a)	61.9	41.3	20.6	50%
Net realized gain from investments	16.5	2.7	13.8	
Distributable net realized income(a)	\$ 78.4	\$ 44.0	\$ 34.4	78%
Distributable net investment income per share Basic and diluted(a)(b)	\$ 2.09	\$ 1.77	\$ 0.32	18%
Distributable net realized income per share Basic and diluted(a)(b)	\$ 2.65	\$ 1.89	\$ 0.76	40%

(a)

Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. We believe presenting distributable net investment income and distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing our financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

(b)

Per share amounts exclude the earnings attributable to the noncontrolling equity interests in MSC II not owned by Main Street for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

*Investment Income*

For the year ended December 31, 2012, total investment income was \$90.5 million, a \$24.3 million, or 37%, increase over the \$66.2 million for the corresponding period of 2011. This comparable period increase was principally attributable to (i) a \$19.1 million increase in interest income from increased activity in the investment portfolio and higher average levels of portfolio debt investments and interest-bearing marketable securities investments, (ii) a \$3.2 million increase in dividend income from portfolio equity investments and (iii) a \$2.0 million increase in fee income due to the increased activity in and size of the investment portfolio. The increase in investment income included (i) \$1.8 million of non-recurring investment income during the first quarter of 2012 associated with repayment and financing activities for two LMM portfolio investments, (ii) a \$3.2 million increase in investment income associated with higher levels of accelerated prepayment activity for certain Middle Market portfolio debt investments and marketable securities investments in comparison to 2011 and (iii) special dividend activity of \$1.4 million in the fourth quarter of 2012.

Table of Contents*Expenses*

For the year ended December 31, 2012, total expenses increased by approximately \$4.3 million, or 16%, to \$31.2 million from \$26.9 million for the corresponding period of 2011. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$2.1 million as a result of the net issuance of an additional \$5 million in SBIC debentures subsequent to December 31, 2011, increased borrowing activity under the Credit Facility and higher unused fees associated with the increased commitments under the Credit Facility, (ii) higher share-based compensation expense of \$0.5 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and expenses of \$1.7 million related to increases in personnel and incentive compensation compared to the corresponding period of 2011. For the years ended December 31, 2012 and 2011, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.8% and 2.2%, respectively.

*Distributable Net Investment Income*

Distributable net investment income for the year ended December 31, 2012 increased to \$61.9 million, or \$2.09 per share, compared with distributable net investment income of \$41.3 million, or \$1.77 per share, for the corresponding period of 2011. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the year ended 2012 reflects (i) an increase of approximately \$0.13 per share from 2011 in investment income attributable to higher levels of accelerated prepayment and repricing activity for certain debt investments and marketable securities investments, (ii) approximately \$0.05 per share from the special dividend activity in the fourth quarter of 2012 and (iii) a greater number of average shares outstanding compared to the corresponding period in 2011 primarily due to the net effect of December 2012, June 2012, October 2011 and March 2011 follow-on equity offerings.

*Net Investment Income*

Net investment income for the year ended December 31, 2012 was \$59.3 million, or a 51% increase, compared to net investment income of \$39.3 million for the corresponding period of 2011. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$78.4 million, or \$2.65 per share, for the year ended 2012 compared with distributable net realized income of \$44.0 million, or \$1.89 per share, for the corresponding period of 2011. The increase was primarily attributable to the higher level of distributable net investment income and the higher level of total net realized gain from investments in 2012 compared to the corresponding period of 2011. The \$16.5 million net realized gain during 2012 was primarily attributable to (i) realized gains recognized on two partial exits of LMM portfolio company equity investments, (ii) a realized gain recognized on the full exit of a LMM portfolio company equity investment and (iii) realized gains related to Middle Market and marketable securities investments, partially offset by (iv) realized losses on the full exits of three LMM portfolio company investments.

*Net Realized Income*

The higher level of net investment income and the higher level of total net realized gain from investments in 2012 compared to the corresponding period of 2011, both as discussed above, resulted in a \$33.8 million increase in net realized income compared with the corresponding period of 2011.

Table of Contents*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations attributable to common stock during the year ended December 31, 2012 was \$104.4 million, or \$3.53 per share, compared with a net increase of \$63.0 million, or \$2.76 per share, in 2011. This \$41.4 million increase was a result of the increase in net realized income discussed above, plus differences in the net change in unrealized appreciation from portfolio investments, marketable securities, SBIC debentures and investment in the Internal Investment Manager and the difference in the income tax provision. For the year ended December 31, 2012, the \$44.5 million net change in unrealized appreciation from portfolio investments was principally attributable to (i) unrealized appreciation on 37 LMM portfolio investments totaling \$57.8 million, partially offset by unrealized depreciation on 10 LMM portfolio investments totaling \$4.6 million, (ii) \$9.7 million of net unrealized appreciation on the Middle Market investment portfolio and (iii) \$0.8 million of net unrealized appreciation on the Other Portfolio investments and Marketable securities and idle funds investments, partially offset by (iv) accounting reversals of net unrealized appreciation from prior periods of \$18.3 million related to portfolio investment exits and repayments, and (v) accounting reversals of net unrealized appreciation from prior periods of \$0.5 million related to Marketable securities and idle funds investments exits and repayments. For the year ended December 31, 2012, the \$5.0 million net change in unrealized appreciation attributable to SBIC debentures and investment in the Internal Investment Manager was primarily attributable to unrealized depreciation on the SBIC debentures held by MSC II. The noncontrolling interest of \$0.1 million recognized during the first quarter of 2012 reflects the pro rata portion of the net increase in net assets resulting from operations for MSC II attributable to the equity interests in MSC II that were not owned by MSCC prior to MSCC's completion of the Final MSC II Exchange. For the year ended December 31, 2012, we also recognized a net income tax provision of \$10.8 million related to deferred taxes of \$8.0 million and other taxes of \$2.8 million. The deferred taxes related primarily to net unrealized appreciation on equity investments held in our taxable subsidiaries. The other taxes include \$1.6 million related to an accrual for excise tax on our estimated spillover taxable income as of December 31, 2012 and \$1.2 million related to accruals for state and other taxes.

*Liquidity and Capital Resources**Cash Flows*

For the year ended December 31, 2013, we experienced a net decrease in cash and cash equivalents in the amount of \$28.8 million. During the period, we used \$240.7 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our operating activities totaling \$63.8 million, which is our \$79.6 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.9 million, payment-in-kind interest income of \$5.0 million, cumulative dividends of \$1.4 million and the amortization expense for deferred financing costs of \$1.5 million, (ii) cash uses totaling \$824.8 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2013, which together total \$767.5 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2012, which together total \$54.0 million, and (c) \$3.3 million related to decreases in payables and accruals, and (iii) cash proceeds totaling \$520.3 million from (a) \$465.0 million in cash proceeds from the repayments or sales of debt investments and sales of equity investments, (b) \$51.7 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) decreases in other assets of \$3.6 million. During 2013, \$211.9 million in cash was provided by financing activities, which principally consisted of (i) \$131.5 million in net cash proceeds from public stock offering in August 2013, (ii) \$105.0 million in net cash proceeds from the Credit Facility and (iii) \$92.0 million in cash proceeds from the issuance of the Notes, partially offset by (i) a \$24.8 million net decrease in

Table of Contents

outstanding SBIC debentures resulting from \$63.8 million in repayments of SBIC debentures, net of \$39.0 million in proceeds from the issuance of SBIC debentures, (ii) \$83.2 million in cash dividends paid to stockholders and (iii) \$6.3 million in loan costs associated with our SBIC debentures, our Notes and the Credit Facility.

For the year ended December 31, 2012, we experienced a net increase in cash and cash equivalents in the amount of \$20.9 million. During that period, we generated \$48.9 million of cash from our operating activities, primarily from (i) distributable net investment income, excluding the non-cash effects of the accretion of unearned income, payment in kind interest income and the amortization of deferred financing costs, (ii) increases in payables, and (iii) realized gains, partially offset by increases in interest receivable. We used \$184.5 million in net cash from investing activities, principally including the funding of \$639.8 million for new portfolio company investments and the funding of \$14.4 million for Marketable securities and idle funds investments, partially offset by (i) \$400.0 million in cash proceeds from the repayment of portfolio debt investments, (ii) \$35.1 million in cash proceeds from the exit of portfolio equity investments and (iii) \$34.5 million of cash proceeds from the sale of Marketable securities and idle funds investments. During 2012, \$156.5 million in cash was provided by financing activities, which principally consisted of (i) \$169.9 million in net cash proceeds from public stock offerings in June and December 2012, (ii) \$25.0 million in net cash proceeds from the Credit Facility and (iii) \$5.0 million in net cash proceeds from the issuance of SBIC debentures, partially offset by (i) \$39.9 million in cash dividends paid to stockholders and (ii) \$2.2 million in loan costs associated with our SBIC debentures and the Credit Facility.

For the year ended December 31, 2011, we experienced a net increase in cash and cash equivalents in the amount of \$20.3 million. During that period, we generated \$37.2 million of cash from our operating activities, primarily from (i) distributable net investment income, excluding the non-cash effects of the accretion of unearned income, payment-in-kind interest income and the amortization of deferred financing costs, (ii) increases in payables, and (iii) realized gains, partially offset by (iv) increases in interest receivable. We used \$220.5 million in net cash from investing activities, principally including (i) the funding of \$358.9 million for new portfolio company investments and (ii) the funding of \$33.5 million for Marketable securities and idle funds investments, partially offset by (i) \$160.2 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments and (ii) \$11.7 million of cash proceeds from the sale of Marketable securities and idle funds investments. During 2011, \$203.6 million in cash was provided by financing activities, which principally consisted of (i) \$127.8 million in net cash proceeds from public stock offerings in March 2011 and October 2011, (ii) \$40.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$68.0 million in net cash proceeds from the Credit Facility, partially offset by \$28.3 million in cash dividends paid to stockholders and \$2.3 million in loan costs associated with our SBIC debentures and credit facility.

*Capital Resources*

As of December 31, 2013, we had \$34.7 million in cash and cash equivalents, \$13.3 million in Marketable securities and idle funds investments and \$208.0 million of unused capacity under the Credit Facility, which we maintain to support our future investment and operating activities. As of December 31, 2013, our net asset value totaled \$792.5 million, or \$19.89 per share.

The Credit Facility was amended and restated during the year ended December 31, 2013 to provide for an increase in total commitments from \$287.5 million to \$445.0 million and to increase the diversified group of lenders to thirteen lenders. The Credit Facility contains an accordion feature which allows us to increase the total commitments under the facility up to \$500 million from new or existing lenders on the same terms and conditions as the existing commitments.

Table of Contents

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate (0.17%, as of December 31, 2013) plus 2.25% or (ii) the applicable base rate (Prime Rate, 3.25% as of December 31, 2013) plus 1.25%. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is now provided on a revolving basis through the maturity date in September 2018, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. At December 31, 2013, we had \$237.0 million in borrowings outstanding under the Credit Facility. As of December 31, 2013, the interest rate on the Credit Facility was 2.4%, and we were in compliance with all financial covenants of the Credit Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid with no prepayment penalty. During the year ended December 31, 2013, we voluntarily prepaid \$63.8 million of our SBIC debentures as part of an effort to manage the maturity dates of our oldest SBIC debentures. Main Street expects to issue new SBIC debentures under the SBIC program in the future in an amount up to the regulatory maximum amount of \$225.0 million. On December 31, 2013, we, through the Funds, had \$200.2 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of approximately 3.8%. The first maturity related to the SBIC debentures does not occur until 2017, and the remaining weighted average duration is approximately 7.3 years as of December 31, 2013.

In April, 2013, we issued \$92.0 million, including the underwriter's full exercise of the over-allotment option, in aggregate principal amount of the Notes. The Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. We may from time to time repurchase Notes in accordance with the 1940 Act and the rules promulgated thereunder. During the year ended December 31, 2013, we repurchased \$1.1 million principal of the Notes in the open market for an aggregate purchase price of \$1.1 million and surrendered them to the Trustee for cancellation. As of December 31, 2013, the outstanding balance of the Notes was \$90.9 million. The indenture governing the Notes ("the Notes Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the Notes and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the Notes Indenture.

Table of Contents

In June 2012, we completed a follow-on public stock offering in which we sold 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share (or approximately 143% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$93.0 million, after deducting underwriters' commissions and offering costs. In December 2012, we completed a follow-on public stock offering in which we sold 2,875,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$28.00 per share (or approximately 160% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$77.1 million, after deducting underwriters' commissions and offering costs. In August 2013, we completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase additional shares, at a price to the public of \$29.75 per share (or approximately 159% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$131.5 million, after deducting underwriters' commissions and offering costs.

We anticipate that we will continue to fund our investment activities through existing cash and cash equivalents, the liquidation of Marketable securities and idle funds investments, and a combination of future debt and equity capital. Our primary uses of funds will be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

We periodically invest excess cash balances into Marketable securities and idle funds investments. The primary investment objective of Marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments. The composition of Marketable securities and idle funds investments will vary in a given period based upon, among other things, changes in market conditions, the underlying fundamentals in our Marketable securities and idle funds investments, our outlook regarding future LMM, Middle Market and Private Loan portfolio investment needs, and any regulatory requirements applicable to us.

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek approval to sell shares of our common stock below the then current net asset value per share of our common stock from our stockholders at our 2013 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock, and we do not currently expect to seek such approval at our 2014 annual meeting of stockholders for the same reason. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share if we desire to issue shares of our common stock at a price below the then current net asset value per share.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders, after consideration and application of our ability under the Code to spillover certain excess undistributed taxable income from one tax year into the next tax year, substantially all of our taxable income. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received an exemptive order from the SEC to exclude SBA-guaranteed debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to us, which, in turn, enables us to fund more investments with debt capital.



Table of Contents

Although we have been able to secure access to additional liquidity, including recent public equity and debt offerings, our expanded \$445 million Credit Facility, and the available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued Accounting Standards***

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ("ASU 2013-04"). ASU 2013-04 provides additional guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. Public companies are required to apply ASU 2013-04 prospectively for interim and annual reporting periods beginning after December 15, 2013.

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08"). ASU 2013-08 amends the criteria that define an investment company, clarifies the measurement guidance and requires certain additional disclosures. Public companies are required to apply ASU 2013-08 prospectively for interim and annual reporting periods beginning after December 15, 2013.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe that the impact of recently issued standards that have been issued and any that are not yet effective will not have a material impact on our financial statements upon adoption.

***Inflation***

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented herein. However, our portfolio companies have experienced, and may in the future experience, the impacts of inflation on their operating results, including periodic escalations in their costs for raw materials and required energy consumption.

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At December 31, 2013, we had a total of \$95.4 million in outstanding commitments comprised of (i) 12 commitments to fund revolving loans that had not been fully drawn or term loans that had not been funded and (ii) five capital commitments that had not been fully called.

Table of Contents***Contractual Obligations***

As of December 31, 2013, the future fixed commitments for cash payments in connection with our SBIC debentures and Notes for each of the next five years and thereafter are as follows:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
	(dollars in thousands)						
SBIC debentures	\$	\$	\$	\$ 15,000	\$ 10,200	\$ 175,000	\$ 200,200
Interest due on SBIC debentures	7,712	8,233	8,255	8,233	6,940	18,750	58,123
Notes						90,882	90,882
Interest due on Notes	5,566	5,566	5,566	5,567	5,567	25,050	52,882
<b>Total</b>	<b>\$ 13,278</b>	<b>\$ 13,799</b>	<b>\$ 13,821</b>	<b>\$ 28,800</b>	<b>\$ 22,707</b>	<b>\$ 309,682</b>	<b>\$ 402,087</b>

As of December 31, 2013, we had \$237.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2018. The Credit Facility contains two, one year extension options which could extend the maturity to September 2020. See further discussion of the Credit Facility terms in "Liquidity and Capital Resources Capital Resources".

***Related Party Transactions***

Subsequent to the completion of the Formation Transactions through March 31, 2013, the Internal Investment Manager was treated as a wholly owned portfolio company of MSCC and was included as part of our Investment Portfolio. At December 31, 2012, the Internal Investment Manager had a receivable of \$4.1 million due from MSCC related to operating expenses incurred by the Internal Investment Manager required to support our business. Beginning April 1, 2013, the accounts of the Internal Investment Manager are included as a part of our consolidated financial statements and the Internal Investment Manager is reflected as a consolidated subsidiary, as opposed to being a part of our Investment Portfolio, and any intercompany balances between the Internal Investment Manager and MSCC or any of its other consolidated subsidiaries have been eliminated in consolidation.

In June 2013, we adopted a deferred compensation plan for the non-employee members of our board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of our common stock within 90 days after the participant's end of service as a director. As of December 31, 2013, \$275,000 of directors' fees had been deferred under this plan. These deferred fees represented 9,858 shares of our common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted average shares outstanding on our consolidated statement of operations as earned.

Table of Contents**SENIOR SECURITIES**

Information about our senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted. Grant Thornton LLP's report on the senior securities table as of December 31, 2013, is an exhibit to the registration statement of which this prospectus is a part.

<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities(1) (dollars in thousands)</b>	<b>Asset Coverage per Unit(2)</b>	<b>Involuntary Liquidating Preference per Unit(3)</b>	<b>Average Market Value per Unit(4)</b>
<b><i>SBIC Debentures</i></b>				
2007	\$ 55,000	3,094		N/A
2008	55,000	3,043		N/A
2009	65,000	2,995		N/A
2010	180,000	2,030		N/A
2011	220,000	2,202		N/A
2012	225,000	2,763		N/A
2013	200,200	2,476		N/A
<b><i>Credit Facility</i></b>				
2010	\$ 39,000	2,030		N/A
2011	107,000	2,202		N/A
2012	132,000	2,763		N/A
2013	237,000	2,476		N/A
<b><i>Notes Due 2023</i></b>				
2013	\$ 90,882	2,476		\$ 24.35

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The " " indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.
- (4) Average market value per unit for our Notes Due 2023 represents the average of the daily closing prices as reported on the NYSE during the period presented. Average market value per unit for our SBIC Debentures and our Credit Facility are not applicable because these are not registered for public trading.

Table of Contents

**BUSINESS**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically consistent with the structure, terms and conditions for the loans made in our LMM portfolio or Middle Market portfolio.

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement through the Internal Investment Manager to provide the External Investment Manager with asset management service support for HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. Beginning in the first quarter of 2014, we charge the External Investment Manager a fee for the use of these services. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and

Table of Contents

typically have a term of between five and seven years. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of December 31, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2012, we had debt and equity investments in 56 LMM portfolio companies with an aggregate fair value of approximately \$482.9 million, with a total cost basis of approximately \$380.5 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.3%. As of December 31, 2012, approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2012, we had equity ownership in approximately 93% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and five years.

As of December 31, 2013, we had Middle Market portfolio investments in 92 companies collectively totaling approximately \$471.5 million in fair value with a total cost basis of approximately \$468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio company investments was approximately \$79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. As of December 31, 2012, we had Middle Market portfolio investments in 79 companies, collectively totaling approximately \$352.0 million in fair value with a total cost basis of approximately \$348.1 million. The weighted average EBITDA for the 79 Middle Market portfolio company investments was approximately \$93.5 million as of December 31, 2012. As of December 31, 2012, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 91% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.0% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM

Table of Contents

portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

As of December 31, 2013, we had Private Loan portfolio investments in 15 companies, collectively totaling approximately \$111.5 million in fair value with a total cost basis of approximately \$111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio company investments was approximately \$18.4 million as of December 31, 2013. As of December 31, 2013, 95% of our Private Loan portfolio investments were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. As of December 31, 2012, we had Private Loan portfolio investments in 9 companies, collectively totaling approximately \$65.5 million in fair value with a total cost basis of approximately \$64.9 million. The weighted average EBITDA for the 9 Private Loan portfolio company investments was approximately \$45.6 million as of December 31, 2012. As of December 31, 2012, approximately 99% of our Private Loan portfolio investments were in the form of debt investments and all such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 14.8% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2013 and 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt investments.

As of December 31, 2013, we had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised 3.3% of our Investment Portfolio at fair value as of December 31, 2013. As of December 31, 2012, we had Other Portfolio investments in three companies, collectively totaling approximately \$24.1 million in fair value and approximately \$23.6 million in cost basis and which comprised 2.6% of our Investment Portfolio at fair value as of December 31, 2012.

As discussed above, we hold an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2013, we had no cost basis in this investment and the investment had a fair value of \$1.1 million, which comprised 0.1% of our Investment Portfolio.

During 2013, we began categorizing certain of our portfolio investments that were previously categorized as LMM portfolio investments or Middle Market portfolio investments as Private Loan portfolio investments to provide a separate classification based upon the nature in which such investments are originated. During the year ended December 31, 2013, there were ten portfolio company investment transfers from the LMM and Middle Market portfolio investment categories to the Private Loan portfolio investment category totaling \$69.6 million in fair value and \$69.0 million in cost on the date of transfer.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). An investor's return in MSCC will depend, in part, on the Funds' investment returns as MSMF and MSC II are both wholly owned subsidiaries of MSCC.

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend

Table of Contents

to grow our portfolio and our investment income over the long-term, our growth and our operating results may be more limited during depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

MSCC and its consolidated subsidiaries are internally managed by the Internal Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Internal Investment Manager is wholly owned by MSCC, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the year ended December 31, 2013, the ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock (as discussed further above in "Management's Discussion and Analysis of Financial Condition and Results of Operations Discussion and Analysis of Results of Operations Comparison of the years ended December 31, 2013 and 2012"), as a percentage of our quarterly average total assets was 1.7% compared to 1.8% for the year ended December 31, 2012. Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended 2013 would have been 1.8%.

During May 2012, MSCC entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining no-action relief from the SEC to allow us to own a registered investment adviser, MSCC assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, MSCC and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither MSCC nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither is due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement. Neither MSCC nor the External Investment Manager has waived the External Investment Manager's management or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014.

**Business Strategies**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and realizing capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a

Table of Contents

portfolio company. We have adopted the following business strategies to achieve our investment objective:

*Deliver Customized Financing Solutions in the Lower Middle Market.* We offer to our LMM portfolio companies customized debt financing solutions with equity components that are tailored to the facts and circumstances of each situation. We believe our ability to provide a broad range of customized financing solutions to LMM companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. Our ability to invest across a company's capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer our LMM portfolio companies a comprehensive suite of financing options, or a "one stop" financing solution.

*Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. We believe that those companies generally possess better risk adjusted return profiles than newer companies that are building their management teams or are in the early stages of building a revenue base. We also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.

*Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include five certified public accountants and five Chartered Financial Analyst® (CFA) charter holders. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non traditional or complex structures for our portfolio companies. Also, the reputation of our investment team has and should continue to enable us to generate additional revenue in the form of management and incentive fees in connection with us providing advisory services to other investment funds.

*Invest Across Multiple Companies, Industries, Regions and End Markets.* We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets. This portfolio balance is intended to mitigate the potential effects of negative economic events for particular companies, regions, industries and end markets.

*Capitalize on Strong Transaction Sourcing Network.* Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments. We have developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created a growing stream of proprietary deal flow for us.

*Benefit from Lower, Fixed, Long Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA guaranteed debentures. SBA guaranteed debentures carry long term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments.



Table of Contents

**Investment Criteria**

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments.

*Proven Management Team with Meaningful Equity Stake.* We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests. We believe management teams with these attributes are more likely to manage the companies in a manner that both protects our debt investment and enhances the value of our equity investment.

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance. We typically focus on LMM companies that have historically generated EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") of \$3 million to \$20 million and commensurate levels of free cash flow. We also pursue investments in debt securities of Middle Market companies that are generally established companies with sound historical financial performance that are generally larger in size than LMM companies. We generally do not invest in start-up companies or companies with speculative business plans.

*Defensible Competitive Advantages/Favorable Industry Position.* We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help to protect their market position and profitability.

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

**Investment Portfolio**

The Investment Portfolio, as used herein, refers to all of Main Street's LMM portfolio investments, Middle Market portfolio investments, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and for all periods after March 31, 2013, the Investment Portfolio also excludes the Internal Investment Manager. For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. Main Street's 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 Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in companies based in the United States that are generally larger in size than the companies included in Main Street's LMM portfolio. Main Street's Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Main Street's Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market and Private Loan portfolio

Table of Contents

investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

***Debt Investments***

Historically, we have made LMM debt investments principally in the form of single tranche debt. Single tranche debt financing involves issuing one debt security that blends the risk and return profiles of both first lien secured and subordinated debt. We believe that single tranche debt is more appropriate for many LMM companies given their size in order to reduce structural complexity and potential conflicts among creditors.

Our LMM debt investments generally have terms of three to seven years, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates generally between 12% and 14% per annum, payable currently in cash. In some instances, we have provided floating interest rates for a portion of a single tranche debt security. In addition, certain LMM debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this as payment-in-kind, or PIK, interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first priority lien on substantially all the assets of the portfolio company. As of December 31, 2013, approximately 86% of our LMM debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies.

In addition to seeking a senior lien position in the capital structure of our LMM portfolio companies, we seek to limit the downside potential of our LMM investments by negotiating covenants that are designed to protect our LMM investments while affording our portfolio companies as much flexibility in managing their businesses as is reasonable. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control or change of management provisions, key-man life insurance, guarantees, equity pledges, personal guaranties, where appropriate, and put rights. In addition, we typically seek board representation or observation rights in all of our LMM portfolio companies.

While we will continue to focus our LMM investments primarily on single tranche debt investments, we also anticipate structuring some of our debt investments as mezzanine loans. We anticipate that these mezzanine loans will be primarily junior secured or unsecured, subordinated loans that provide for relatively high fixed interest rates payable currently in cash that will provide us with significant interest income plus the additional opportunity for income and gains through PIK interest and equity warrants and other similar equity instruments issued in conjunction with these mezzanine loans. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loan term. Typically, our mezzanine loans will have maturities of three to five years. We will generally target fixed interest rates of 12% to 14%, payable currently in cash for our mezzanine loan investments with higher targeted total returns from equity warrants or PIK interest.

We also pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments or secondary purchases of interest-bearing debt securities in companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and typically have a term of between three and five years. The debt investments in our Middle Market portfolio have rights and protections that are similar to those in our LMM debt investments, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions, guarantees, and

Table of Contents

equity pledges. The Middle Market debt investments generally have floating interest rates at LIBOR plus a margin, and are typically subject to LIBOR floors. As of December 31, 2013, substantially all of our Middle Market portfolio investments were in the form of debt investments, with approximately 99% of these investments at cost secured by portfolio company assets and approximately 92% of such debt investments at cost secured by first priority liens.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien and typically have a term of between three and seven years. As of December 31, 2013, approximately 95% of Main Street's Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority liens on portfolio company assets.

***Warrants***

In connection with a portion of our LMM debt investments, we have historically received equity warrants to establish or increase our equity interest in the LMM portfolio company. Warrants we receive in connection with a LMM debt investment typically require only a nominal cost to exercise, and thus, as a LMM portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We typically structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as secured or unsecured put rights, or rights to sell such securities back to the LMM portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

***Direct Equity Investments***

We also will seek to make direct equity investments in situations where it is appropriate to align our interests with key management and stockholders of our LMM portfolio companies, and to allow for participation in the appreciation in the equity values of our LMM portfolio companies. We usually make our direct equity investments in connection with debt investments. In addition, we may have both equity warrants and direct equity positions in some of our LMM portfolio companies. We seek to maintain fully diluted equity positions in our LMM portfolio companies of 5% to 50%, and may have controlling equity interests in some instances. We have a value orientation toward our direct equity investments and have traditionally been able to purchase our equity investments at reasonable valuations.

**Investment Process**

Our investment committee is responsible for all aspects of our LMM investment process. The current members of our investment committee are Vincent D. Foster, our Chairman, President and Chief Executive Officer, Dwayne L. Hyzak, our Chief Financial Officer and Senior Managing Director, Curtis L. Hartman, our Chief Credit Officer and Senior Managing Director and David Magdol, our Chief Investment Officer and Senior Managing Director.

Our credit committee is responsible for all aspects of our Middle Market portfolio investment process. The current members of our credit committee are Messrs. Foster, Hartman, and Rodger A. Stout, our Executive Vice President.

Investment process responsibility for each Private Loan portfolio investment is delegated to either the investment committee or the credit committee based upon the nature of the investment and the manner in which it was originated. Similarly, the investment processes for each Private Loan portfolio

Table of Contents

investment, from origination to close and to eventual exit, will follow the processes for our LMM portfolio investments or our Middle Market portfolio investments as outlined below, or a combination thereof.

Our investment strategy involves a "team" approach, whereby potential transactions are screened by several members of our investment team before being presented to the investment committee or the credit committee, as applicable. Our investment committee and credit committee each meet on an as needed basis depending on transaction volume. We generally categorize our investment process into seven distinct stages:

***Deal Generation/Origination***

Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, service providers such as lawyers, financial advisors, accountants and current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and Middle Market companies, and we have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in these markets.

***Screening***

During the screening process, if a transaction initially meets our investment criteria, we will perform preliminary due diligence, taking into consideration some or all of the following information:

a comprehensive financial model based on quantitative analysis of historical financial performance, projections and pro forma adjustments to determine the estimated internal rate of return;

a brief industry and market analysis;

direct industry expertise imported from other portfolio companies or investors;

preliminary qualitative analysis of the management team's competencies and backgrounds;

potential investment structures and pricing terms; and

regulatory compliance.

Upon successful screening of a proposed LMM transaction, the investment team makes a recommendation to our investment committee. If our investment committee concurs with moving forward on the proposed LMM transaction, we typically issue a non-binding term sheet to the company. For Middle Market portfolio investments, the initial term sheet is typically issued by the borrower, through the syndicating bank, and is screened by the investment team which makes a recommendation to our credit committee.

***Term Sheet***

For proposed LMM transactions, the non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process as well as a proposed timeline and our qualitative expectation for the transaction. While the term sheet for LMM investments is non-binding, we typically receive an expense deposit in order to move the transaction to the due diligence phase. Upon execution of a term sheet, we begin our formal due diligence process.

For proposed Middle Market transactions, the initial term sheet will include key economic terms and other conditions proposed by the borrower and its representatives and the proposed timeline for the investment, which are reviewed by our investment team to determine if such terms and conditions are in agreement with Main Street's investment objectives.

Table of Contents

*Due Diligence*

Due diligence on a proposed LMM investment is performed by a minimum of two of our investment professionals, whom we refer to collectively as the investment team, and certain external resources, who together conduct due diligence to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Our LMM due diligence review includes some or all of the following:

- site visits with management and key personnel;
- detailed review of historical and projected financial statements;
- operational reviews and analysis;
- interviews with customers and suppliers;
- detailed evaluation of company management, including background checks;
- review of material contracts;
- in-depth industry, market, and strategy analysis;
- regulatory compliance analysis; and
- review by legal, environmental or other consultants, if applicable.

Due diligence on a proposed Middle Market investment is generally performed on materials and information obtained from certain external resources and assessed internally by a minimum of two of our investment professionals, who work to understand the relationships among the prospective portfolio company's business plan, operations and financial performance using the accumulated due diligence information. Our Middle Market due diligence review includes some or all of the following:

- detailed review of historical and projected financial statements;
- in-depth industry, market, operational and strategy analysis;
- regulatory compliance analysis; and
- detailed review of the company's management team and their capabilities.

During the due diligence process, significant attention is given to sensitivity analyses and how the company might be expected to perform given downside, base-case and upside scenarios. In certain cases, we may decide not to make an investment based on the results of the diligence process.

*Document and Close*

## Edgar Filing: Main Street Capital CORP - Form 497

Upon completion of a satisfactory due diligence review of a proposed LMM portfolio investment, the investment team presents the findings and a recommendation to our investment committee. The presentation contains information which can include, but is not limited to, the following:

company history and overview;

transaction overview, history and rationale, including an analysis of transaction strengths and risks;

analysis of key customers and suppliers and key contracts;

a working capital analysis;

an analysis of the company's business strategy;

a management and key equity investor background check and assessment;

Table of Contents

third-party accounting, legal, environmental or other due diligence findings;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections;

regulatory compliance analysis findings; and

detailed reconciliations of historical to pro forma results.

Upon completion of a satisfactory due diligence review of a proposed Middle Market portfolio investment, the investment team presents the findings and a recommendation to our credit committee. The presentation contains information which can include, but is not limited to, the following:

company history and overview;

transaction overview, history and rationale, including an analysis of transaction strengths and risks;

analysis of key customers and suppliers;

an analysis of the company's business strategy;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

regulatory compliance analysis findings; and

an analysis of historical financial results and key financial ratios.

## Edgar Filing: Main Street Capital CORP - Form 497

If any adjustments to the transaction terms or structures are proposed by the investment committee or credit committee, as applicable, such changes are made and applicable analyses are updated prior to approval of the transaction. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee or credit committee, as applicable, with the committee member managing the transaction, if any, abstaining from the vote. Upon receipt of transaction approval, we will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

### *Post-Investment*

We continuously monitor the status and progress of the portfolio companies. We generally offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same investment team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process of LMM portfolio investments, the investment team will analyze monthly and quarterly financial statements versus the previous periods and year, review financial projections, meet and discuss issues or opportunities with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our LMM portfolio companies, we maintain a higher level of involvement in



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

non-ordinary course financing or strategic activities and any non-performing scenarios. We also monitor the performance of our Middle Market portfolio investments; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to our LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including, but not limited to, each investment's expected level of returns and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook.

*Investment Rating 1* represents a portfolio company that is performing in a manner which significantly exceeds expectations;

*Investment Rating 2* represents a portfolio company that, in general, is performing above expectations;

*Investment Rating 3* represents a portfolio company that is generally performing in accordance with expectations;

*Investment Rating 4* represents a portfolio company that is underperforming expectations. Investments with such a rating require increased Main Street monitoring and scrutiny; and

*Investment Rating 5* represents a portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new LMM portfolio investments receive an initial 3 rating.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of December 31, 2013 and 2012:

Investment Rating	As of December 31, 2013		As of December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(dollars in thousands)				
1	\$ 242,013	36.7%	\$ 167,154	34.6%
2	116,908	17.7%	117,157	24.3%
3	239,843	36.4%	174,754	36.2%
4	60,641	9.2%	23,799	4.9%
5		0.0%		0.0%
Total	\$ 659,405	100.0%	\$ 482,864	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio as of December 31, 2013 and 2012 was approximately 2.2 and 2.1, respectively.

For the total Investment Portfolio, as of December 31, 2013, we had two investments with positive fair value on non-accrual status which comprised approximately 2.3% of the total Investment Portfolio at fair value and 4.7% of the total Investment Portfolio at cost and no fully impaired investments. For the total Investment Portfolio, as of December 31, 2012, we had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total Investment Portfolio at cost on non-accrual status, excluding the investment in the affiliated Internal Investment Manager.



Table of Contents

***Exit Strategies/Refinancing***

While we generally exit most investments through the refinancing or repayment of our debt and redemption of our equity positions, we typically assist our LMM portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy. The refinancing or repayment of Middle Market debt investments typically does not require our assistance due to the additional resources available to these larger, Middle Market companies.

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

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

We are required to report our investments at fair value. As a result, the most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2013 and 2012, approximately 95% and 89%, respectively, of our total assets at each date represented investments in our Investment Portfolio valued at fair value. We follow 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.

Our business strategy calls for us to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We also categorize some of our investments in LMM and Middle Market companies as Private Loan portfolio investments, which are typically debt securities issued by companies that are consistent in size with either our LMM or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. All of these portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of our Investment Portfolio.

For LMM investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For Middle Market portfolio investments, we primarily use 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, we generally use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

Table of Contents

For valuation purposes, "control" LMM portfolio investments are composed of debt and equity securities in companies for which we 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 our control LMM portfolio investments. As a result, for control LMM portfolio investments, we generally determine the fair value using a combination of market and income approaches. Under the market approach, we 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, or 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, we analyze various factors, including the portfolio company's historical and projected financial results. We allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. We 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, and which includes using a yield-to-maturity 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. The valuation approaches for our control LMM portfolio investments estimate the value of the investment if we were to sell, or exit, the investment. In addition, these valuation approaches consider the value associated with our 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 generally composed of debt and equity securities in companies for which we do 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 our non-control LMM investments, we use a combination of the market and income approaches to value our equity investments and the income approach to value our debt investments similar to the approaches used for our control LMM portfolio investments, and which includes using a yield-to-maturity 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. Our estimate of the expected repayment date of a LMM debt security is generally the legal maturity date of the instrument, as we generally intend to hold our LMM loans and debt securities to maturity. The yield-to-maturity analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield-to-maturity analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the fair value will not exceed the principal amount of the LMM debt security. A change in the assumptions that we use to estimate the fair value of our LMM debt securities using the yield-to-maturity 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, we 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 our internal valuation process and the requirements under the 1940 Act, we perform valuation procedures on our investments in each LMM portfolio company once a quarter. In addition to our internal valuation process, in arriving at estimates of fair value for our investments in LMM portfolio companies, we, among other things, consult with a nationally recognized independent financial advisory services firm. The nationally recognized independent advisor is generally consulted relative to

Table of Contents

our investments in each LMM portfolio company at least once in every calendar year, and for our investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result is not in our stockholders' best interest, to consult with the nationally recognized independent advisor on our investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of our investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. We consulted with our independent advisor in arriving at our determination of fair value on our investments in a total of 50 LMM portfolio companies for the year ended December 31, 2013, representing approximately 76% of the total LMM portfolio at fair value as of December 31, 2013 and on a total of 47 LMM portfolio companies for the year ended December 31, 2012, representing approximately 80% of the total LMM portfolio and investment in the affiliated Internal Investment Manager at fair value as of December 31, 2012. Excluding our investments in new LMM portfolio companies which have not been in our Investment Portfolio for at least twelve months subsequent to the initial investment as of December 31, 2013 and 2012, as applicable, the percentage of the LMM portfolio reviewed was over 99% of total LMM portfolio at fair value as of December 31, 2013 and 99% of total LMM portfolio and investment in the affiliated Internal Investment Manager at fair value as of December 31, 2012.

Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our Investment Portfolio. For valuation purposes, all of our Middle Market portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or independent pricing, to the extent such sufficient observable inputs are available, to determine fair value. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

Our Private Loan portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in companies that are consistent with the size of companies included in our LMM portfolio or our Middle Market portfolio. For valuation purposes, all of our Private Loan portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. As sufficient observable inputs to determine the fair value of these Private Loan portfolio investments through obtaining third party pricing or other independent pricing are not generally available, we generally use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, all of our Other Portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Our Other Portfolio investments comprised 3.3% and 2.6%, respectively, of our Investment Portfolio at fair value as of December 31, 2013 and 2012. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we determine the fair value based on the fair value of the portfolio company as determined by independent third parties and based on our 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, we determine the fair value of these investments through obtaining

Table of Contents

third party quotes or other independent pricing, to the extent such sufficient observable inputs are available, to determine fair value. To the extent observable inputs are not available, we value these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, our investment in the External Investment Manager is a control investment for which we have a controlling interest in the portfolio company and the ability to nominate a majority of the portfolio company's board of directors. Market quotations are not readily available for this investment, and as a result, we determine the fair value of the External Investment Manager using the enterprise value methodology under the market approach. In estimating the enterprise value, we analyze various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market multiples. This valuation approach estimates the value of the investment if we were to sell, or exit, the investment. In addition, we consider the value associated with our ability to control the capital structure of the company, as well as the timing of a potential exit.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio may differ materially from the values that would have been determined 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. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

As described below, we undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value of each individual investment as well as our valuation procedures.

Our quarterly valuation process begins with each LMM and Private Loan portfolio company investment being initially valued by the investment team responsible for monitoring the portfolio investment;

The fair value determination for our Middle Market and Other Portfolio debt and equity investments and our investment in the External Investment Manager consists of unobservable and observable inputs which are initially reviewed by the investment professionals responsible for monitoring the portfolio investment;

Preliminary valuation conclusions are then reviewed by and discussed with senior management, and the investment team considers and assesses, as appropriate, any changes that may be required to the preliminary valuations to address any comments provided by senior management;

As described above, a nationally recognized independent advisor performs certain mutually agreed limited procedures that we and the Board of Directors have identified and asked them to perform on a selection of management's LMM portfolio company valuation conclusions;

The Audit Committee of our Board of Directors reviews management's valuations, and the investment team and senior management consider and assess, as appropriate, any changes that may be required to management's valuations to address any comments provided by the Audit Committee; and

The Board of Directors assesses the valuations and ultimately approves the fair value of each investment in our portfolio in good faith.

Table of Contents

Determination of fair value involves subjective judgments and estimates. The notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

**Competition**

We compete for investments with a number of investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of the entities that compete with us have greater financial and managerial resources. We believe we are able to be competitive with these entities primarily on the basis of our focus toward the underserved LMM, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

We believe that some of our competitors make senior secured loans, junior secured loans and subordinated debt investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete primarily on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors Risks Related to Our Business and Structure We may face increasing competition for investment opportunities."

**Employees**

As of December 31, 2013, we had 37 employees, each of whom was employed by the Internal Investment Manager. These employees include investment and portfolio management professionals, operations professionals and administrative staff. As necessary, we will hire additional investment professionals and administrative personnel. All of our employees are located in our Houston, Texas office.

**Properties**

We do not own any real estate or other physical properties materially important to our operations. Currently, we lease office space in Houston, Texas for our corporate headquarters.

**Legal Proceedings**

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of any current legal proceedings cannot at this time be predicted with certainty, we do not expect any current matters will materially affect our financial condition or results of operations; however, there can be no assurance whether any pending legal proceedings will have a material adverse effect on our financial condition or results of operations in any future reporting period.

Table of Contents**PORTFOLIO COMPANIES**

The following table sets forth certain unaudited information as of December 31, 2013, for the portfolio companies in which we had a debt or equity investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance ancillary to our investments and the board observer or participation rights we may receive. As of December 31, 2013, none of our portfolio company investments constituted five percent or more of our total assets. The following table excludes our investment in the External Investment Manager and marketable securities and idle funds investments.

<b>Portfolio Company(1) Control Investments(5)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>ASC Interests, LLC</b> <b>16500 Westheimer Parkway</b> <b>Houston, TX 77082</b>	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity July 31, 2018) Member Units (Fully diluted 48.4%)	3,500	3,434 1,500	3,434 1,500
				4,934	4,934
<b>Bond-Coat, Inc.</b> <b>11901 West CR 125</b> <b>Odessa, TX 79765</b>	Casing and Tubing Coating Services	12% Secured Debt (Maturity December 28, 2017) Common Stock (Fully diluted 42.9%)	14,750	14,581 6,220	14,750 8,850
				20,801	23,600
<b>Café Brazil, LLC</b> <b>202 West Main Street, Ste. 100</b> <b>Allen, TX 75013</b>	Casual Restaurant Group	Member Units (Fully diluted 69.0%)(8)		1,742	6,770
<b>California Healthcare Medical Billing, Inc.</b> <b>1121 E. Washington Ave.</b> <b>Escondido, CA 92025 1,299,520</b>	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity October 17, 2015) Warrants (Fully diluted 21.3%) Common Stock (Fully diluted 9.8%)	8,103	7,973 1,193 1,177	8,103 3,380 1,560
				10,343	13,043
<b>CBT Nuggets, LLC</b> <b>44 Club Rd., Ste. 150</b> <b>Eugene, OR 97401</b>	Produces and Sells IT Training Certification Videos	Member Units (Fully diluted 41.6%)(8)		1,300	16,700



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Ceres Management, LLC (Lambs)</b> 11675 Jollyville Rd., Ste. 300 Austin, TX 78759	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative)(8)		3,586	3,586
		Member Units (Fully diluted 65.0%)		5,273	1,190
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025)	1,017	1,017	1,017
		Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100.0%)(8)		625	1,060
				14,501	10,853
<b>Garreco, LLC</b> 430 Hiram Rd. Heber Springs, AR 72543	Manufacturer and Supplier of Dental Products	14% Secured Debt (Maturity January 12, 2018)	5,800	5,693	5,693
		Member Units (Fully diluted 32.0%)		1,200	1,200
				6,893	6,893
<b>Gulf Manufacturing, LLC</b> 1221 Indiana St. Humble, TX 77396	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	13,220
				3,899	14,139
<b>Harrison Hydra-Gen, Ltd.</b> 10827 Tower Oaks Blvd. Houston, TX 77070	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015)	4,896	4,659	4,896
		Preferred Stock (8% cumulative)(8)		1,167	1,167
		Common Stock (Fully diluted 34.4%)		718	1,340
				6,544	7,403
<b>Hawthorne Customs and Dispatch Services, LLC</b> 9370 Wallisville Rd Houston, TX 77013	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (Fully diluted 47.6%)(8)		589	440
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(8)		1,215	2,050
				1,804	2,490
<b>Hydratec, Inc.</b> 325 Road 192 Delano, CA 93215	Designer and Installer of Micro-Irrigation Systems				

Edgar Filing: Main Street Capital CORP - Form 497

Common Stock (Fully diluted 95.9%)(8)

7,095

13,720

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>IDX Broker, LLC</b> 1551 Pearl Street Eugene, OR 97401	Provider of Marketing and CRM Tools for Real Estate	12.5% Secured Debt (Maturity November 18, 2018)	10,571	10,467	10,467
		Member Units (Fully diluted 63.9%)		5,029	5,029
				15,496	15,496
<b>Impact Telecom, Inc.</b>					
9250 E Costilla Ave Suite 400 Greenwood Village, CO 80112	Telecommunications Services	LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity May 31, 2018)(9)	1,575	1,568	1,568
		13% Secured Debt (Maturity May 31, 2018)	22,500	14,690	14,690
		Warrants (Fully diluted 40.0%)		8,000	8,760
				24,258	25,018
<b>Indianapolis Aviation Partners, LLC</b>					
8501 Telephone Road Houston, TX 77061	Fixed Base Operator	15% Secured Debt (Maturity September 15, 2014)	3,550	3,483	3,550
		Warrants (Fully diluted 30.1%)		1,129	2,200
				4,612	5,750
<b>Jensen Jewelers of Idaho, LLC</b>					
130 Second Avenue North Twin Falls, ID 83301	Retail Jewelry Store	Prime Plus 6.75%, Current Coupon 10.00%, Secured Debt (Maturity November 14, 2016)(9)	4,255	4,193	4,255
		Member Units (Fully diluted 60.8%)(8)		811	3,310
				5,004	7,565
<b>Lighting Unlimited, LLC</b>					
4125 Richmond Ave Houston, TX 77027	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2014)	1,676	1,676	1,676
		Preferred Stock (non-voting)		459	470
		Warrants (Fully diluted 7.1%)		54	30
		Common Stock (Fully diluted 70.0%)		100	250
				2,289	2,426
<b>Marine Shelters Holdings, LLC</b>					
6800 Harborside Dr. Galveston, TX 77554	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity December 28, 2017)	10,250	10,076	10,076
		Preferred Stock (Fully diluted 26.7%)		3,750	3,750



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Mid-Columbia Lumber Products, LLC</b> <b>380 NW Adler St</b> <b>Madras, OR 97741</b>	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900
		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	972	972	972
		Member Units (Fully diluted 54.0%)(8)		1,132	8,280
		Member Units (Mid Columbia Real Estate, LLC) (Fully diluted 50.0%)(8)		250	440
					8,004
<b>NAPCO Precast, LLC</b> <b>6949 Low Bid Lane</b> <b>San Antonio, TX 78250</b>	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity September 1, 2015)(9)	2,750	2,703	2,750
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2016)(9)	2,923	2,893	2,923
		18% Secured Debt (Maturity February 1, 2016)	4,468	4,418	4,468
		Member Units (Fully diluted 44.0%)(8)		2,975	5,920
					12,989
<b>NRI Clinical Research, LLC</b> <b>2010 Wilshire Blvd</b> <b>Los Angeles, CA 90057</b>	Clinical Research Center	14% Secured Debt (Maturity September 8, 2016)	4,394	4,226	4,226
		Warrants (Fully diluted 12.5%)		252	440
		Member Units (Fully diluted 24.8%)		500	870
					4,978
<b>NRP Jones, LLC</b> <b>210 Philadelphia St</b> <b>LaPorte, IN 46350</b>	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity December 22, 2016)	12,100	11,382	12,100
		Warrants (Fully diluted 12.2%)		817	1,420
		Member Units (Fully diluted 43.2%)(8)		2,900	5,050
					15,099
<b>OMi Holdings, Inc.</b> <b>1515 E I-30 Service Road</b> <b>Royse City, TX 75189</b>	Manufacturer of Overhead Cranes	Common Stock (Fully diluted 48.0%)(8)		1,080	13,420
<b>Pegasus Research Group, LLC</b> <b>(Televerde)</b> <b>4636 E. University Drive</b>	Telemarketing and Data Services				

Edgar Filing: Main Street Capital CORP - Form 497

Phoenix, AZ 77074

15% Secured Debt (Maturity January 6, 2016)	4,791	4,760	4,791
Member Units (Fully diluted 43.7%)(8)		1,250	4,860
		6,010	9,651

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>PPL RVs, Inc.</b>					
<b>10777 Southwest Freeway Houston, TX 77074</b>	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity June 10, 2015) Common Stock (Fully diluted 51.1%)	7,860	7,827 2,150	7,860 7,990
				9,977	15,850
<b>Principle Environmental, LLC</b>					
<b>201 W. Ranch Court Weatherford, TX 76088</b>	Noise Abatement Services	12% Secured Debt (Maturity February 1, 2016) 12% Current / 2% PIK Secured Debt (Maturity February 1, 2016) Warrants (Fully diluted 14.6%) Member Units (Fully diluted 22.6%)(8)	3,506 4,674	3,070 4,617 1,200 1,863	3,506 4,656 2,620 4,180
				10,750	14,962
<b>River Aggregates, LLC</b>					
<b>25963 Sorters Road Porter, TX 77365</b>	Processor of Construction Aggregates	12% Secured Debt (Maturity June 30, 2018) Zero Coupon Secured Debt (Maturity June 30, 2018) Member Units (Fully diluted 38.3%) Member Units (RA Properties, LLC) (Fully diluted 50.0%)	500 750	500 421 1,150 369	500 421 369
				2,440	1,290
<b>Southern RV, LLC</b>					
<b>3625 Bossier City Bossier City, LA 71112</b>	Recreational Vehicle Dealer	13% Secured Debt (Maturity August 8, 2018) Member Units (Fully diluted 50.2%) 13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018) Member Units (Southern RV Real Estate, LLC) (Fully diluted 55.69%)	11,400 3,250	11,239 1,680 3,204 480	11,239 1,680 3,204 480
				16,603	16,603
<b>The MPI Group, LLC</b>					
<b>319 North Hills Road Corbin, KY 40701</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity July 1, 2014) 6% Current / 6% PIK Secured Debt (Maturity July 1, 2014) Warrants (Fully diluted 52.3%)	1,079 5,639	1,079 5,639 1,096	880 4,600
				7,814	5,480

Edgar Filing: Main Street Capital CORP - Form 497

Travis Acquisition LLC  
13955 FM 529 Rd  
Houston, TX 77041

Manufacturer of  
Aluminum Trailers

12% Secured Debt (Maturity August 30, 2018)	9,200	9,025	9,025
Member Units (Fully diluted 65.5%)		7,100	7,100
		16,125	16,125



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Uvalco Supply, LLC</b> <b>2521 E. Main St.</b> <b>Uvalde, TX 78801</b>	Farm and Ranch Supply Store	9% Secured Debt (Maturity January 1, 2019) Member Units (Fully diluted 42.8%)(8)	2,175	2,175 1,113	2,175 3,730
				3,288	5,905
<b>Vision Interests, Inc.</b> <b>6630 Arroyo Springs St., Ste. 600</b> <b>Las Vegas, NV 89113</b>	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2016) Series A Preferred Stock (Fully diluted 50.9%) Common Stock (Fully diluted 19.1%)	3,204	3,158 3,000 3,706	3,158 1,510
				9,864	4,668
<b>Ziegler's NYPD, LLC</b> <b>13901 North 73rd St., #219</b> <b>Scottsdale, AZ 85260</b>	Casual Restaurant Group	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity October 1, 2018)(9) 9% Current / 9% PIK Secured Debt (Maturity October 1, 2018) Warrants (Fully diluted 46.6%)	1,000 5,449	1,000 5,449 600	1,000 4,820
				7,049	5,820
<b>Subtotal Control Investments</b>				277,411	355,909

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1) Affiliate Investments(6)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>American Sensor Technologies, Inc.</b> 450 Clark Dr. Mt. Olive, NJ 07828	Manufacturer of Commercial / Industrial Sensors	Warrants (Fully diluted 19.6%)		50	10,100
<b>Bridge Capital Solutions Corporation</b> 300 Motor Parkway, Suite 215 Hauppauge, NY 11788	Financial Services and Cash Flow Solutions	13% Secured Debt (Maturity April 17, 2017) Warrants (Fully diluted 7.5%)	5,000	4,799 200	4,799 530
				4,999	5,329
<b>Buffalo Composite Materials Holdings, LLC</b> P.O. Box 578 Giddings, TX 78942	Manufacturer of Fiberglass Products	Member Units (Fully diluted 23.1%)		2,035	2,035
<b>Condit Exhibits, LLC</b> 500 West Tennessee Denver, CO 80223	Tradeshaw Exhibits / Custom Displays	12% Secured Debt (Maturity July 31, 2018) Warrants (Fully diluted 15.0%)(8)	3,750	3,750 100	3,750 540
				3,850	4,290
<b>Congruent Credit Opportunities Funds(12)(13)</b> 3131 McKinney Ave., Suite 850 Dallas, TX 75204	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8) LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)		22,060 4,128	22,692 4,128
				26,188	26,820
<b>Daseke, Inc.</b> 17305 59th Avenue NE Arlington, WA 98223	Specialty Transportation Provider	12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018) Common Stock (Fully diluted 12.6%)	20,206	19,828 4,642	19,828 11,689
				24,470	31,517
<b>Dos Rios Partners(12)(13)</b> 3411 Richmond Avenue, Suite 420 Houston, TX 77046	Investment Partnership			1,269	1,269

Edgar Filing: Main Street Capital CORP - Form 497

LP Interests (Dos Rios Partners, LP) (Fully diluted 27.69%)		
LP Interests (Dos Rios Partners A, LP) (Fully diluted 9.14%)	403	403
	1,672	1,672

**East Teak Fine Hardwoods, Inc.**

**1106 Drake Road**

**Donalds, SC 29638**

Hardwood Products

Common Stock (Fully diluted 5.0%)	480	450
-----------------------------------	-----	-----

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1) Fund LP(12)(13)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Freeport Financial SBIC</b> 300 N. La Salle Street, Suite 5300 Chicago, IL 60654	Investment Partnership	LP Interests (Fully diluted 9.9%)		1,618	1,618
<b>Gault Financial, LLC (RMB Capital, LLC)</b> 409 Bearden Circle Knoxville, TN 37919	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity November 21, 2016) Warrants (Fully diluted 22.5%)	12,165	11,747 400	10,550
				12,147	10,550
<b>Glowpoint, Inc.</b> 430 Mountain Avenue., Ste. 301 Murray Hill, NJ 07974	Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity October 18, 2018) 12% Secured Debt (Maturity October 18, 2018) Common Stock (Fully diluted 21.8%) (GP Investment Holdings, LLC)	300 9,000	294 8,892 3,800	294 8,892 10,235
				12,986	19,421
<b>Houston Plating and Coatings, LLC</b> 1315 Georgia St South Houston, TX 77587	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%)(8)		635	9,160
<b>Indianhead Pipeline Services, LLC</b> 13167 County Hwy 00 Chippewa Falls, WI 54729	Pipeline Support Services	12% Secured Debt (Maturity February 6, 2017) Preferred Equity (8% cumulative)(8) Warrants (Fully diluted 10.6%) Member Units (Fully diluted 12.1%)(8)	7,800	7,394 1,832 459 1	7,800 1,832 470 530
				9,686	10,632
<b>Integrated Printing Solutions, LLC</b> 7025 South Fulton Street, Suite 100 Centennial, CO 80112	Specialty Card Printing	8% PIK Secured Debt (Maturity January 31, 2014)(14) 13% PIK Secured Debt (Maturity September 23, 2016)(14) Preferred Equity (Fully diluted 11.0%) Warrants (Fully diluted 8.0%)	750 12,500	750 11,918 2,000 600	750 8,365
				15,268	9,115
<b>irth Solutions, LLC</b>	Damage Prevention Technology Information				

Edgar Filing: Main Street Capital CORP - Form 497

5009 Horizons Drive  
Columbus, OH 43220

Services

Member Units (Fully diluted 12.8%)(8)

624

3,300

99

---

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>KBK Industries, LLC</b> East Hwy 96 Rush Center, KS 67575	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity September 28, 2017) Member Units (Fully diluted 17.5%)(8)	9,000	8,927 341	9,000 5,740
				9,268	14,740
<b>OnAsset Intelligence, Inc.</b> 3080 Story Road West Irving, TX 75038	Transportation Monitoring / Tracking Services	12% PIK Secured Debt (Maturity June 30, 2014) Preferred Stock (7% cumulative) (Fully diluted 3.6%)(8) Warrants (Fully diluted 14.2%)	2,330	1,788 1,815 1,787	1,788 2,602 370
				5,390	4,760
<b>OPI International Ltd.(13)</b> 4545 Post Oak Place Drive Houston, TX 77027	Oil and Gas Construction Services	Common Equity (Fully diluted 11.5%)		1,371	4,971
<b>PCI Holding Company, Inc.</b> 12201 Magnolia Avenue Riverside, CA 92503	Manufacturer of Industrial Gas Generating Systems	12% Current / 4% PIK Secured Debt (Maturity December 18, 2017) Preferred Stock (20% cumulative) (Fully diluted 19.4%)(8)	4,449	4,376 1,847	4,449 3,311
				6,223	7,760
<b>Quality Lease and Rental Holdings, LLC</b> 501 East Kennedy Blvd, Suite 801 Tampa, FL 33602	Rigsite Accommodation Unit Rental and Related Services	12% Secured Debt (Maturity January 8, 2018)(14) Preferred Member Units (Rocacia, LLC) (Fully diluted 20.0%)	37,350	36,843 2,500	20,000
				39,343	20,000
<b>Radial Drilling Services Inc.</b> 4921 Spring Cypress Spring, TX 77379	Oil and Gas Technology	12% Secured Debt (Maturity November 22, 2016) Warrants (Fully diluted 24.0%)	4,200	3,626 758	3,626
				4,384	3,626
<b>Samba Holdings, Inc.</b> 1730 Montano Road NW, Suite F	Intelligent Driver Record Monitoring Software and Services				

Edgar Filing: Main Street Capital CORP - Form 497

Albuquerque, NM 87107

12.5% Secured Debt (Maturity November 17, 2016)	11,453	11,325	11,453
Common Stock (Fully diluted 19.4%)		1,707	4,510
		13,032	15,963

100

---

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Spectrio LLC 720 Brooker Creek Blvd., Ste. 215 Oldsmar, FL 34677	Audio Messaging Services	LIBOR Plus 7.50%, Current Coupon 8.50%, Secured Debt (Maturity November 19, 2018)	17,878	17,504	17,878
		Warrants (Fully diluted 9.8%)		887	3,850
				18,391	21,728
SYNEO, LLC 3601 Galaznik Rd Angleton, TX 77515	Manufacturer of Specialty Cutting Tools and Punches	12% Secured Debt (Maturity July 13, 2016)	4,300	4,238	4,238
		10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026)	1,440	1,414	1,414
		Member Units (Fully diluted 10.8%)		1,036	740
				6,688	6,392
Texas Reexcavation LC 3025 Maxroy Houston, TX 77008	Hydro Excavation Services	12% Current / 3% PIK Secured Debt (Maturity December 31, 2017)	6,185	6,082	6,082
		Class A Member Units (Fully diluted 16.3%)		2,900	3,270
				8,982	9,352
Tin Roof Acquisition Company 1516 Demonbreun Street Nashville, TN 37203	Casual Restaurant Group	12% Secured Debt (Maturity November 30, 2018)	11,000	10,785	10,785
		Class C Preferred Member Units (10% cumulative) (Fully diluted 10.0%)(8)		2,027	2,027
				12,812	12,812
<b>Subtotal Affiliate Investments</b>				242,592	268,113



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1) Non-Control/Non-Affiliate Investments(7)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>ABG Intermediate Holdings 2, LLC(11) 100 W. 33rd Street, Suite 1007 New York, NY 10001</b>	Trademark Licensing of Clothing	LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	7,500	7,463	7,463
<b>Allflex Holdings III Inc.(11) 2805 East 14th Street Dallas, TX 75261</b>	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00%, Current Coupon 8.00%, Secured Debt (Maturity July 19, 2021)(9)	5,000	4,952	5,076
<b>Alvogen Pharma US, Inc.(11) 10 Bloomfield Ave. Pine Brook, NJ 07058</b>	Pharmaceutical Company Focused on Generics	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity May 23, 2018)(9)	1,966	1,938	1,996
<b>AM General LLC(11) 105 N. Niles Ave. South Bend, IN 46634</b>	Specialty Vehicle Manufacturer	LIBOR Plus 9.00%, Current Coupon 10.25%, Secured Debt (Maturity March 22, 2018)(9)	2,850	2,775	2,501
<b>AM3 Pinnacle Corporation 900 Commerce Dr., Ste. 200 Oak Brook, IL 60523</b>	Provider of Comprehensive Internet, TV and Voice Services for Multi-Dwelling Unit Properties	10% Secured Debt (Maturity October 22, 2018) Common Stock (Fully diluted 3.2%)	22,500	22,320 2,000	22,320 2,000
				24,320	24,320
<b>American Beacon Advisors Inc.(11) 4151 Amon Carter Blvd MD 2450 Fort Worth, TX 76155</b>	Provider of Sub-Advised Investment Products	LIBOR Plus 3.75%, Current Coupon 4.75%, Secured Debt (Maturity November 22, 2019)(9)	6,500	6,436	6,534
<b>AmeriTech College, LLC 12257 Business Park Dr, Ste. 108 Draper, UT 84020</b>	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity March 9, 2017)	6,050	5,960	6,050

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>AMF Bowling Centers, Inc.(11)</b> 222 W 44th Street New York, NY 10036	Bowling Alley Operator	LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity June 29, 2018)(9)	4,938	4,799	4,975
<b>Anchor Hocking, LLC(11)</b> 519 N. Pierce Avenue Lancaster, OH 43130	Household Products Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity May 21, 2020)(9)	6,965	6,900	7,078
<b>Ancile Solutions, Inc.(11)</b> 6085 Marshalee Drive, Suite 300 Elkridge, MD 21075	Provider of eLearning Solutions	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity July 15, 2018)(9)	9,628	9,571	9,652
<b>Answers Corporation(11)</b> 6665 Delmar, Suite 3000 St. Louis, MO 63130	Consumer Internet Search Services Provider	LIBOR Plus 5.50%, Current Coupon 6.50%, Secured Debt (Maturity December 20, 2018)(9)	8,500	8,415	8,436
<b>AP Gaming I, LLC</b> 6680 Amelia Earhart Courth Las Vegas, NV 89119	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25%, Current Coupon 9.25%, Secured Debt (Maturity December 20, 2020)(9)	7,000	6,790	6,913
<b>Apria Healthcare Group, Inc.(11)</b> 26220 Enterprise Court Lake Forest, CA 92630	Provider of Home Healthcare Equipment	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity April 6, 2020)(9)	5,473	5,441	5,500
<b>Artel, LLC(11)</b> 1983 Preston White Drive Reston, VA 20191	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity November 27, 2017)(9)	5,953	5,878	5,864
<b>Atkins Nutritionals Holdings II, Inc.(11)</b> 1050 17th Street, Suite 100 Denver, CO 80265	Weight Management Food Products	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity January 2, 2019)(9)	1,985	1,985	2,010



Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>B. J. Alan Company</b> 5555 Martin Luther King Jr. Blvd. Youngstown, OH 44502	Retailer and Distributor of Consumer Fireworks	12.5% Current / 2.5% PIK Secured Debt (Maturity June 22, 2017)	11,235	11,158	11,158
<b>BBTS Borrower LP(11)</b> 18615 Tuscan Stone #300 San Antonio, TX 78258	Oil & Gas Exploration and Midstream Services	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity June 4, 2019)(9)	6,948	6,883	7,013
<b>Blackhawk Specialty Tools LLC(11)</b> 11936 Brittmoore Park Drive Houston, TX 77041	Oilfield Equipment & Services	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)	5,413	5,375	5,399
<b>Bluestem Brands, Inc.(11)</b> 6509 Flying Cloud Dr. Eden Prairie, MN 55344	Multi-Channel Retailer of General Merchandise	LIBOR Plus 6.50%, Current Coupon 7.50%, Secured Debt (Maturity December 6, 2018)(9)	4,000	3,921	3,960
<b>Brand Connections, LLC</b> 26 Orange Rd Montclair, NJ 07042	Venue-Based Marketing and Media	12% Secured Debt (Maturity April 30, 2015)	7,063	6,983	7,063
<b>Brasa Holdings, Inc.(11)</b> 14881 Quorum Drive, Suite 750 Dallas, TX 75254	Upscale Full Service Restaurants	LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9) LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9)	3,456 3,857	3,379 3,820	3,498 3,896
				7,199	7,394
<b>Calloway Laboratories, Inc.(10)</b> 34 Commerce Way Woburn, MA 01801	Health Care Testing Facilities	12.00% PIK Secured Debt (Maturity September 30, 2014) Warrants (Fully diluted 1.5%)	6,336	6,276 17	4,738
				6,293	4,738

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>CDC Software Corporation(11)</b> 2002 Summit Blvd. #700 Atlanta, GA 30319	Enterprise Application Software	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity August 6, 2018)(9)	4,197	4,163	4,244
<b>Cedar Bay Generation Company LP(11)</b> 9405 Arrowpoint Blvd. Charlotte, NC 28273	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)	7,964	7,891	8,028
<b>Charlotte Russe, Inc.(11)</b> 575 Florida Street San Francisco, CA 94010	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)	4,988	4,942	4,919
<b>CHI Overhead Doors, Inc.(11)</b> 1485 Sunrise Dr. Arthur IL, 61911	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity September 18, 2019)(9)	2,500	2,462	2,513
<b>Collective Brands Finance, Inc.(11)</b> 3231 SE 6th Ave Topeka, KS 66607	Specialty Footwear Retailer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity October 9, 2019)(9)	2,481	2,481	2,494
<b>Compact Power Equipment, Inc.</b> P. O. Box 40 Fort Mill, SC 29716	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity October 1, 2017) Series A Stock (8% cumulative) (Fully diluted 4.2%)(8)	3,918	3,901 998 4,899	3,918 2,230 6,148
<b>CGSC of Delaware Holdings Corp.(11)(13)</b> 52 Leadenhall Street London, UK EC31 WEB	Insurance Brokerage Firm	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)	2,000	1,972	1,940

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Connolly Holdings, Inc.(11)</b>					
<b>950 East Paces Ferry Road Suite 2850</b>					
<b>Atlanta, GA 30326</b>	Audit Recovery Software	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity July 13, 2018)(9)	2,395	2,376	2,405
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity January 15, 2019)(9)	2,000	1,967	2,045
				4,343	4,450
<b>CST Industries(11)</b>					
<b>9701 Renner, Suite 150</b>					
<b>Lenexa, KS 66219</b>	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	11,563	11,436	11,389
<b>Drilling Info, Inc.</b>					
<b>2600 Via Fortuna, Fifth Floor</b>					
<b>Austin, TX 78746</b>	Information Services for the Oil and Gas Industry	Common Stock (Fully diluted 2.1%)		1,335	9,470
<b>Emerald Performance Materials, Inc.(11)</b>					
<b>2020 Front Street, Suite 100</b>					
<b>Cuyahoga Falls, OH 44221</b>	Specialty Chemicals Manufacturer	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity May 18, 2018)(9)	4,434	4,401	4,467
<b>EnCap Energy Fund Investments(12)(13)</b>					
<b>1100 Louisiana Street, Suite 4900</b>					
<b>Houston, TX 77002</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		2,868	2,985
		LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.3%)		1,192	1,301
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)		646	646
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)		2,723	2,723
				7,429	7,655
<b>e-Rewards, Inc.(11)</b>					
<b>5800 Tennyson Parkway Suite 600</b>					
<b>Plano, TX 75024</b>	Provider of Digital Data Collection	LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)	11,000	10,786	10,931

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Excelitas Technologies Corp.(11)</b> 200 West Street Waltham, MA 02451	Lighting and Sensor Components	LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity November 2, 2020)(9)	3,958	3,919	3,987
<b>Fender Musical Instruments Corporation(11)</b> 17600 North Perimeter Drive, Suite 100 Scottsdale, AZ 85255	Manufacturer of Musical Instruments	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity April 3, 2019)(9)	448	443	455
<b>FC Operating, LLC(10)</b> 5300 Patterson SE Grand Rapids, MI 49533	Christian Specialty Retail Stores	LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity November 14, 2017)(9)	5,550	5,459	5,437
<b>FishNet Security, Inc.(11)</b> 6130 Sprint Pkwy Suite 400 Overland Park, KS 66211	Information Technology Value-Added Reseller	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)	7,920	7,856	7,965
<b>Fram Group Holdings, Inc.(11)</b> 39 Old Ridgebury Rd Danbury, CT 06610	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity July 31, 2017)(9) LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	964 1,000	961 996	958 953
				1,957	1,911
<b>Gastar Exploration USA, Inc.(11)</b> 1331 Lamar, Suite 650 Houston, TX 77010	Oil & Gas Exploration & Production	8.63% Secured Bond (Maturity May 15, 2018)	1,000	1,000	983
<b>Getty Images, Inc.(11)</b> 605 5th Ave South, 4th Floor Seattle, WA 98104	Digital Photography and Video Content Marketplace	LIBOR Plus 3.50%, Current Coupon 4.75%, Secured Debt (Maturity October 18, 2019)(9)	4,987	4,501	4,665





Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Golden Nugget, Inc.(11)</b> 1510 West Loop South, 8th Floor Houston, TX 77027	Owner & Operator of Hotels & Casinos	LIBOR Plus 4.50%, Current Coupon 5.50%, Secured Debt (Maturity November 21, 2019)(9)	1,400	1,380	1,424
<b>Grupo Hima San Pablo, Inc.(11)</b> P.O. Box 4980 Caguas, Puerto Rico 00726	Tertiary Care Hospitals	LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9) 13.75 Secured Debt (Maturity July 31, 2018)	4,963 2,000	4,877 1,911 6,788	4,714 1,900 6,614
<b>Healogics, Inc.(11)</b> 5220 Belfort Road, Suite 130 Jacksonville, FL 32256	Wound Care Management	Common Equity (Fully diluted 0.02%)(8)		50	50
<b>iEnergizer Limited(11)</b> Mont Crevelt House, Bulwer Avenue St Sampson, Guernsey GY2 4LH	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)	8,150	8,020	8,028
<b>Inn of the Mountain Gods Resort and Casino(11)</b> 287 Carrizo Canyon Road Mescalero, NM 88340	Hotel & Casino	9.25% Secured Debt (Maturity November 30, 2020)	4,096	3,901	3,953
<b>Ipreo Holdings LLC(11)</b> 1359 Broadway, 2nd Floor New York, NY 10018	Application Software for Capital Markets	LIBOR Plus 4.00%, Current Coupon 5.00%, Secured Debt (Maturity August 5, 2017)(9)	5,637	5,630	5,721
<b>Ivy Hill Middle Market Credit Fund III, Ltd.(12)(13)</b> 245 Park Avenue, 44th Floor New York, NY 10167	Investment Partnership	LIBOR Plus 6.50%, Current Coupon 6.78%, Secured Debt (Maturity January 15, 2022)	2,000	1,704	2,000
<b>Jackson Hewitt Tax Services, Inc.(11)</b> 3 Sylvan Way, Suite 301 Parsippany, NJ 07054	Tax Preparation Services				

Edgar Filing: Main Street Capital CORP - Form 497

LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9)	4,844	4,688	4,820
--	-------	-------	-------

108

---

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Joerns Healthcare, LLC(11)</b> 2430 Whitehall Park Drive, Suite 100 Charlotte, NC 28273	Health Care Equipment & Supplies	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity March 28, 2018)(9)	6,451	6,395	6,322
<b>Keypoint Government Solutions, Inc.(11)</b> 115 East 57th Street New York, NY 10022	Pre-Employment Screening Services	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity November 13, 2017)(9)	4,483	4,411	4,439
<b>Larchmont Resources, LLC(11)</b> 301 NW 63rd Street Oklahoma City, OK 73116	Oil & Gas Exploration & Production	LIBOR Plus 7.25%, Current Coupon 8.50%, Secured Debt (Maturity August 7, 2019)(9)	6,965	6,899	7,096
<b>Learning Care Group (US) No. 2 Inc.(11)</b> 21333 Haggerty Road, Suite 300 Novi, MI 48375	Provider of Early Childhood Education	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity May 8, 2019)(9)	5,486	5,436	5,521
<b>LJ Host Merger Sub, Inc.(11)</b> 100 N Riverside, Suite 800 Chicago, IL 60606	Managed Services and Hosting Provider	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity December 23, 2019)(9) LIBOR Plus 8.75%, Current Coupon 10.00%, Secured Debt (Maturity December 23, 2020)(9)	10,000 5,000	9,901 4,901	9,950 4,975
				14,802	14,925
<b>LKCM Distribution Holdings, L.P.</b> 12610 W. Airport Blvd. #100 Sugar Land, TX 77478	Distributor of Industrial Process Equipment	12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)	16,506	16,342	16,342
<b>LKCM Headwater Investments I, L.P.(12)(13)</b> 301 Commerce Street, Suite 1600 Fort Worth, TX 76102	Investment Partnership	LP Interests (Fully diluted 2.27%)(8)		1,500	3,033

Table of Contents