

Main Street Capital CORP  
Form 10-K  
March 09, 2012

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

**Form 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2011**

**OR**

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

**For the transition period from            to**  
**Commission File Number: 001-33723**

**Main Street Capital Corporation**

*(Exact name of registrant as specified in its charter)*

**Maryland**

*(State or other jurisdiction  
of incorporation or organization)*

**41-2230745**

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

**77056**

*(Zip Code)*

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

*(Address of principal executive offices)*

**(713) 350-6000**

*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, par value \$0.01 per share	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2011, was approximately \$439.3 million based upon the last sale price for the registrant's common stock on that date.

The number of outstanding common shares of the registrant as of March 7, 2012 was 26,966,752.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrants' definitive Proxy Statement for its 2012 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in this Annual Report on Form 10-K in response to Part III.

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**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS**

*This Annual Report on Form 10-K contains forward-looking statements regarding the plans and objectives of management for future operations. Any such forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the factors discussed in Item 1A entitled "Risk Factors" in Part I of this Annual Report on Form 10-K and elsewhere in this Annual Report on Form 10-K. Other factors that could cause actual results to differ materially include changes in the economy and future changes in laws or regulations and conditions in our operating areas.*

*We have based the forward-looking statements included in this Annual Report on Form 10-K on information available to us on the date of this Annual Report on Form 10-K, and we assume no obligation to update any such forward-looking statements, unless we are required to do so by applicable law. However, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.*

**PART I**

**Item 1. Business**

**ORGANIZATION**

Main Street Capital Corporation ("MSCC") was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP ("MSMF") and its general partner, Main Street Mezzanine Management, LLC ("MSMF GP"), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Investment Manager"), (iii) raising capital in an initial public offering, which was completed in October 2007 (the "IPO"), and (iv) thereafter operating as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSMF is licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA") and the Investment Manager acts as MSMF's manager and investment adviser. Because the Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by 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 Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC, and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J to the consolidated financial statements). As of December 31, 2011, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding, including approximately 5% owned by

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affiliates of MSCC. On February 14, 2012, MSCC obtained exemptive relief from the SEC to permit it to acquire the approximately 5% ownership in the total dollar value of the MSC II limited partnership interests held by affiliates of MSCC using the same valuation formula utilized in the Exchange Offer. On February 17, 2012, MSCC acquired a total of approximately 8.5% ownership in the total dollar value of the MSC II limited partnership interests not owned by MSCC, including the approximately 5% held by affiliates of MSCC, in exchange for 170,203 shares of its common stock. After the acquisition of these additional MSC II limited partnership interests on February 17, 2012, an approximately 3.0% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding.

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

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

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

**CORPORATE INFORMATION**

Our principal executive offices are located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056. We maintain a Web site on the Internet at [www.mainstcapital.com](http://www.mainstcapital.com). We make available free of charge on our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information regarding the Public Reference Room by calling the SEC at 1-800-SEC-0330. Information contained on our Web site is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K.

**OVERVIEW OF OUR BUSINESS**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies, which we generally define as companies with annual revenues between \$10 million and \$100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based 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 portfolio investments generally range in size from \$5 million to \$25 million.

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 lower middle market 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 solutions, or "one stop" financing. 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. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

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As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of approximately \$429.1 million, a total cost basis of approximately \$362.4 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. Approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of December 31, 2011. At December 31, 2011, 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 34%.

In addition to our LMM investment strategy, we opportunistically pursue investments in privately placed debt securities. Our private placement investment portfolio primarily consists of direct or secondary private placements of interest bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. As of December 31, 2011, we had privately placed portfolio investments in 27 companies collectively totaling approximately \$132.9 million in fair value with a total cost basis of approximately \$133.4 million. The weighted average revenues for the 27 privately placed portfolio company investments were approximately \$367 million as of December 31, 2011. Our privately placed portfolio investments are primarily in the form of debt investments and 69% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 10.6% as of December 31, 2011.

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 is a wholly owned subsidiary of MSCC and MSC II is a majority owned subsidiary 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 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.

**RECENT DEVELOPMENTS**

On January 5, 2012, Main Street fully exited its debt and equity investments in Currie Acquisitions, LLC ("Currie"). Main Street completed the exit of its debt and equity investments in Currie as part of a buyout of Currie by Accell Group, a Netherlands-based international conglomerate. Main Street exited its debt investment for the full principal amount of approximately \$4.8 million and recognized a realized loss of approximately \$1.2 million on its equity investment.

On February 17, 2012, MSCC acquired a total of approximately 8.5% of the total dollar value of the MSC II limited partnership interests not owned by MSCC, including the approximately 5% held by affiliates of MSCC, in exchange for 170,203 shares of its common stock. Subsequent to the acquisition, an approximately 3.0% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding.

On February 29, 2012, Main Street completed the exit of its debt investment and a portion of its equity investments in Drilling Info, Inc., ("Drilling Info"), as part of an equity investment in Drilling Info by a group of leading private equity investment firms focused on the global software, Internet and data-services

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industries. As part of the exit, Main Street realized a gain of approximately \$9.2 million on the sale of its equity warrant participation and received the full repayment of the principal amount of \$8.0 million on its debt investment.

On March 6, 2012, Main Street declared monthly dividends for the second quarter of 2012 of \$0.14 per share for each of April, May and June 2012, or a total of \$0.42 per share. The second quarter 2012 dividends represent a 7.7% increase from the dividends declared for the second quarter of 2011 and a 3.7% increase compared to the first quarter of 2012. Including the dividends declared for the second quarter of 2012, Main Street will have paid \$7.14 per share in cumulative dividends since its 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:

*Delivering Customized Financing Solutions in the Lower Middle Market.* 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. 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. 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 solutions, or "one-stop" financing.

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

*Leveraging 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 eight certified public accountants and one chartered financial analysts. 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.

*Investing 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.

*Capitalizing 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.

*Benefiting 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 rates that are generally lower than rates on comparable bank 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

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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.

**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 opportunistically pursue investments in privately placed debt securities in 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.

**PORTFOLIO INVESTMENTS**

Main Street's portfolio investments, as used herein, refers to all of Main Street's LMM portfolio investments, privately placed portfolio investments, and its investment in the Investment Manager and excludes all marketable securities and idle funds investments. Main Street's LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held LMM companies. Main Street's privately placed portfolio investments consist of primarily debt investments in middle market businesses that are generally larger in size than the portfolio companies within the LMM portfolio.

***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 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



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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, 2011, 93% of our LMM debt investments at cost were secured by first priority liens on the assets of 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 that will provide us with significant current interest income. 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, direct equity investments or PIK interest.

In addition to our LMM debt investment strategy, we opportunistically pursue investments in privately placed debt securities. This private placement investment portfolio primarily consists of direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. The private placement investments generally have floating interest rates at LIBOR plus a premium and subject to LIBOR floors and a term of five to seven years. As of December 31, 2011, our privately placed portfolio investments were primarily in the form of debt investments, all of which were secured by portfolio company assets, and with 69% of such debt investments at cost secured by first priority liens.

***Warrants***

In connection with 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, and to allow for some 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

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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 and Chief Executive Officer, Todd A. Reppert, our President, and David Magdol, our Chief Investment Officer and Senior Managing Director.

Our credit committee is responsible for all aspects of our private placement portfolio investment process. The current members of our credit committee are Messrs. Foster and Reppert and Curtis Hartman, our Chief Credit Officer and Senior Managing Director.

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, services providers such as lawyers, financial advisors, and accountants, as well as current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and middle market companies. We have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in this market.

***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 privately placed portfolio investments, the initial term sheet is typically issued by the borrower, 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 is non-binding, for

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LMM investments, 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.

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For proposed private placement transactions, the internal 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.

#### *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; and
- review by legal, environmental or other consultants, if applicable.

Due diligence on a proposed private placement 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 private placement 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; 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*

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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;

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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; and

detailed reconciliations of historical to pro forma results.

Upon completion of a satisfactory due diligence review of a proposed private placement 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; 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. 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. Upon receipt of transaction approval, we will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

### ***Post-Investment***

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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 private placement portfolio investments; however, due to the larger size and sophistication of these middle market companies, it is not necessary or practical to have as much direct management interface.

We use an internally developed investment rating system to characterize and monitor our expected level of returns on each of our investments.

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*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 portfolio investments receive an initial 3 rating.

The following table shows the distribution of our portfolio investments (excluding the investment in our affiliated Investment Manager) on the 1 to 5 investment rating scale at fair value as of December 31, 2011 and 2010:

Investment Rating	December 31, 2011		December 31, 2010	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(dollars in thousands)				
1	\$ 125,505	22.9%	\$ 52,147	15.0%
2	210,038	38.3%	153,408	44.2%
3	195,052	35.6%	122,249	35.3%
4	17,765	3.2%	17,705	5.1%
5	250	0.0%	1,250	0.4%
Totals	\$ 548,610	100.0%	\$ 346,759	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of December 31, 2011 and 2010 was approximately 2.2 and 2.3, respectively. As of December 31, 2011, we had one investment on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and 1.1% of the total portfolio investments at cost (or less than 0.1% and 0.9%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager. As of December 31, 2010, we had two investments on non-accrual status, which comprised approximately 2.6% of the total portfolio investments at fair value and 3.6% of the total portfolio investments at cost (or 2.2% and 3.0%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager.

### ***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 private placement 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.





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Our business plan calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale and will generally have no established trading market. As a result, we determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820") and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. We review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. Our valuation policy is intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control investments are composed of equity and debt securities for which we have a controlling interest in the portfolio company or have the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for our control investments. As a result, we determine the fair value of control investments 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 investments. 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. The valuation approaches for our control 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 investments are composed of debt and equity securities 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 for our non-control LMM investments are generally not readily available. 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 instruments. For non-control LMM debt investments, we determine the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Our estimate of the expected repayment date of an LMM debt security is generally the legal maturity date of the instrument, as we generally intend to hold our loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield 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 face 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 analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or if an 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.

For valuation purposes, all of our private placement portfolio investments are non-control investments and are composed of direct or secondary purchases of interest-bearing securities for which we do not have a

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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.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our LMM investments may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. 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.

Our quarterly valuation process will begin with each LMM portfolio company or investment being initially valued by the investment team responsible for the portfolio investment;

Preliminary valuation conclusions will then be reviewed and discussed with senior management;

A nationally recognized independent advisor engaged by the Board of Directors will perform certain mutually agreed limited procedures, as described below, that we have identified and asked them to perform on a selection of our final LMM portfolio company valuation conclusions;

The fair value determination for our privately placed debt investments generally consists of observable inputs;

The Audit Committee of our Board of Directors will review the preliminary valuations, and the investment team will consider and assess, as appropriate, any changes that may be required to the preliminary valuation to address any comments provided by the Audit Committee; and

The Board of Directors will assess the valuations and will ultimately approve the fair value of each investment in our portfolio in good faith.

As part of the internal valuation process, in determining fair value for LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 42 portfolio companies, including 41 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2011, representing approximately 81% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of December 31, 2011. The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's determination of the fair value for the investments.

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.

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**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 lower middle market, 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, 2011, we had 22 employees, each of whom was employed by the 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.

**REGULATION**

*Regulation as a Business Development Company*

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the members of the board of directors of a BDC be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) more than 50% of our outstanding voting securities.

*Qualifying Assets*

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company (as defined below), or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC.
- (2) Securities of any eligible portfolio company that we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its

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securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

An eligible portfolio company is defined in the 1940 Act as any issuer which:

- (a) is organized under the laws of, and has its principal place of business in, the United States;
- (b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- (c) satisfies any of the following:
  - (i) does not have any class of securities that is traded on a national securities exchange or has a class of securities listed on a national securities exchange but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million;
  - (ii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
  - (iii) is a small and solvent company having total assets of not more than \$4 million and capital and surplus of not less than \$2 million.

#### *Managerial Assistance to Portfolio Companies*

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

#### *Temporary Investments*

Pending investment in "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities and high quality debt securities maturing in one year or less from time of investment therein, so that 70% of our assets are qualifying assets.

#### *Senior Securities*

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We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% of all debt and/or senior stock immediately after each such issuance. In addition, while any senior securities remain

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outstanding (other than senior securities representing indebtedness issued in consideration of a privately arranged loan which is not intended to be publicly distributed), we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business and Structure," including, without limitation, " 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."

In January 2008, we received an exemptive order from the SEC to exclude 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 Main Street. The exemptive order provides for the exclusion of all debt securities issued by the Funds, including the \$220 million of currently outstanding debt related to its participation in the SBIC program. This exemptive order provides us with expanded capacity and flexibility in obtaining future sources of capital for our investment and operational objectives.

*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 our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). A proposal, approved by our stockholders at our June 2011 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 14, 2012. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval. We are seeking such approval for the next year at our 2012 annual stockholders meeting to be held on June 14, 2012. On June 17, 2008, our stockholders approved another proposal that authorizes us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. See "Risk Factors Risks Relating to Our Business and Structure 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."

*Code of Ethics*

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the code of ethics is available on the EDGAR Database on the SEC's website site at <http://www.sec.gov>.

*Proxy Voting Policies and Procedures*

We vote proxies relating to our portfolio securities in a manner in which we believe is consistent with the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against

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proposals that we expect would have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the investment team which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision-making process to disclose to our chief compliance officer any potential conflict of which he or she is aware and any contact that he or she has had with any interested party regarding a proxy vote and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Stockholders may obtain information, without charge, regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

*Other 1940 Act Regulations*

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board of Directors who are not interested persons and, in some cases, prior approval by the SEC.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and to designate a chief compliance officer to be responsible for administering the policies and procedures.

We may be periodically examined by the SEC for compliance with the 1940 Act.

*Small Business Investment Company Regulations*

Each of the Funds is licensed by the SBA to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958. As a part of the Formation Transactions, MSMF became a wholly owned subsidiary of MSCC, and continues to hold its SBIC license. MSMF initially obtained its SBIC license in September 2002. As part of the Exchange Offer Transactions, MSC II became a majority owned subsidiary of MSCC and continues to hold its license. MSC II initially obtained its SBIC license in January 2006.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBIC regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Each of the Funds has typically invested in secured debt, acquired warrants and/or made equity investments in qualifying small businesses.

Under present SBIC regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding \$18 million and have average annual net income after federal income taxes not exceeding \$6 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding \$6 million and have average annual net income after federal income taxes not exceeding \$2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBIC regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are based on such factors as the number of



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employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the portfolio company at the time of the follow on investment, up to the time of the portfolio company's initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the United States, to businesses engaged in a few prohibited industries, and to certain "passive" (non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one portfolio company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Included in such limitations are SBA regulations which allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also 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 equity of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately-raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest, do not require any principal payments prior to maturity, and are not subject to prepayment penalties. As of December 31, 2011, we, through the Funds, had issued \$220 million of SBA-guaranteed debentures, which had an annual weighted average interest rate of approximately 5.1%.

The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill") contains several provisions applicable to SBIC funds, including the Funds. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to \$225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately \$137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between the Funds.

A proposed bill in the U.S. House of Representatives, the Small Business Investment Company Modernization Act of 2011, or House Bill 3219, would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225 million to \$350 million. Another bill in the U.S. Senate, Senate Bill 2136, to increase the total SBIC leverage capacity for affiliated SBIC funds to \$350 million, was recently introduced in the U.S. Senate and referred to the Committee on Small Business and Entrepreneurship. If either of these bills is enacted, Main Street's SBIC leverage capacity through the Funds would increase by an additional \$125 million. While Main Street is positioned to benefit from the full passage of either bill, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the United States government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal

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restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine their compliance with SBIC regulations and are periodically required to file certain financial information and other documents with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

### ***Securities Exchange Act of 1934 and Sarbanes-Oxley Act Compliance***

We are subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the financial statements contained in our periodic reports;

pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;

pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, and our independent registered public accounting firm separately audits our internal control over financial reporting; and

pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### ***The New York Stock Exchange Corporate Governance Regulations***

The New York Stock Exchange ("NYSE") has adopted corporate governance regulations that listed companies must comply with. We believe we are in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we stay in compliance.

### ***Investment Adviser Regulations***

We and the Investment Manager, which is wholly owned by us and employs all of our executive officers, investment professionals and other employees, are also subject to regulation under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Advisers Act establishes, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on transactions between the adviser's account and an advisory client's account, limitations on transactions between the accounts of advisory clients, and general anti-fraud prohibitions. We and the Investment Manager will also be examined by the SEC from time to time for compliance with the Advisers Act.

### ***Taxation as a Regulated Investment Company***

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 (the "Code") commencing October 2, 2007. As a RIC, we generally do not have to pay corporate-level 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



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"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 (the "Annual Distribution Requirement").

For any taxable year in which we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to federal income tax on the portion of our income 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.

We will be subject to a 4% nondeductible 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% excise tax based on 98% of our annual taxable income in excess of distributions for the year.

In order to qualify as a RIC for 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, of one issuer, 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 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 federal income taxes. The Taxable Subsidiaries are consolidated with Main Street for GAAP purposes, 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 as a result of their ownership of the portfolio investments. This income tax expense, if any, is reflected in our Consolidated Statement of Operations.

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), we must include in income each year a portion of

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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 and deferred loan origination fees that are paid after origination of the loan or are paid 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 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 Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Pursuant to a revenue procedure issued by the Internal Revenue Service, or the IRS, the IRS has indicated that it will treat distributions from certain publicly traded RICs (including business development companies) that are paid part in cash and part in stock as dividends that would satisfy the RIC's annual distribution requirements. In order to qualify for such treatment, the revenue procedure requires that at least 10% of the total distribution be paid in cash and that each stockholder have a right to elect to receive its entire distribution in cash. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a proportionate share of the cash to be distributed (although no stockholder electing to receive cash may receive less than 10% of such stockholder's distribution in cash). This revenue procedure applies to distributions declared on or before December 31, 2012, with respect to taxable years ended on or before December 31, 2011.

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**Item 1A. Risk Factors**

*Investing in our common stock involves a number of significant risks. In addition to the other information contained in this Annual Report on Form 10-K, you should consider carefully the following information before making an investment in our common stock. 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, 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.***

The broader economic fundamentals of the United States economy remain uncertain. Unemployment levels remain elevated and other economic fundamentals remain depressed. In the event that the United States economic performance 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, 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 of our portfolio companies will not be negatively impacted by economic 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 our \$235 million credit facility, periodic follow-on equity offerings, and the increase in available leverage through the SBIC program as part of the American Recovery and Reinvestment Act of 2009 enacted in the Stimulus Bill, 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.

**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. 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 advisor (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors. In addition, the market for privately placed portfolio investments 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. 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

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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 common stock based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments will receive a lower price for their shares 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. 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.

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***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, Todd A. Reppert, Rodger A. Stout, Curtis L. Hartman, Dwayne L. Hyzak and David L. Magdol, 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.

***We have a limited operating history as a BDC and as a RIC.***

The 1940 Act imposes numerous constraints on the operations of BDCs. Prior to the completion of the IPO, we did not operate, and our management team had no experience operating, as a BDC under the 1940 Act or as a RIC under Subchapter M of the Code. Our management team's limited experience in managing a portfolio of assets under such constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us. If we do not remain a BDC, we might be regulated as a registered closed-end investment company under the 1940 Act, which would further decrease our operating flexibility.



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***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 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 proposals approved by our stockholders that permit us to issue shares of our common stock below net asset value. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. 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.

***The Funds are licensed by the SBA, and therefore subject to SBA regulations.***

MSMF, our wholly owned subsidiary, and MSC II, our majority-owned subsidiary, 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.

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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 debentures, declare outstanding 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 gain or loss on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our common stock. 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 common stockholders. We may also borrow from banks and other lenders, including under our \$235 million credit facility (the "Credit Facility"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources" for a discussion regarding our Credit Facility. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, 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. Leverage is generally considered a speculative investment technique.

As of December 31, 2011, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.1% (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 6.7 years as of December 31, 2011, 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, 2011, we had \$107 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 plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% 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.

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*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	(21.4)%	(12.4)%	(3.4)%	5.5%	14.5%

(1) Assumes \$737.7 million in total assets, \$327.0 million in debt outstanding, \$411.2 million in net assets, and an average cost of funds of 4.3%. Actual interest payments may be different.

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, or by borrowing from banks or insurance companies, and there can be no assurance that such additional leverage can in fact be achieved.

*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 you dividends and cause you to lose all or part of your investment.

*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 "Business Regulation 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

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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, of one issuer, 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 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 relatively 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 you distributions, our distributions may not grow over time, and a portion of distributions paid to you may be a return of 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 will 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 our required distributions 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 the origination of a loan 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; 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

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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, 2011, (i) approximately 3.7% of our total investment income was attributable to PIK income, (ii) approximately 2.3% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 2.5% of our total investment income was attributable to contractual preferred dividends, and (iv) approximately 0.2% 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 "Business Regulation 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. Provided that certain requirements are satisfied, 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. 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 distribution 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.

***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.

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***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.***

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. 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. At our 2011 annual meeting of stockholders, our stockholders approved a proposal that authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 14, 2012. Continued access to this exception will require approval of similar proposals at future stockholder meetings. We are seeking such approval for the next year at our 2012 annual stockholders meeting to be held on June 14, 2012. 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 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 on 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.

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*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 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 common stock, 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.

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**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;

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.



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***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 common stock, 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.

***Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.***

We invest primarily in secured term debt as well as equity issued by LMM and middle market 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

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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.

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.

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***Any unrealized depreciation we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income 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 loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income 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 common stock.

***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 common stock less attractive if we are not able to increase our dividend rate, a situation which could reduce the value of our common stock. 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.

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***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 and diversified bond funds. 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.

**RISKS RELATING TO OUR COMMON STOCK**

***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 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

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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 securities meeting our investment objective, the market price for our common stock 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 common stock 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 shares may not be suitable for someone with lower risk tolerance.

***The market price of our common stock may be volatile and fluctuate significantly.***

Fluctuations in the trading prices of our shares may adversely affect the liquidity of the trading market for our shares and, if we seek to raise capital through future equity financings, our ability to raise such equity capital. The market price and liquidity of the market for our common stock 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;

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.

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**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *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.

**Item 3. *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 try to 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.

**Item 4. *Mine Safety Disclosures***

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****PRICE RANGE OF COMMON STOCK, HOLDERS 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 2011 and 2010, the range of high and low closing prices of our common stock as reported on the NYSE and on the NASDAQ Global Select Market.

	High	Low
Fiscal year 2011		
Fourth quarter	\$ 21.24	\$ 17.03
Third quarter	\$ 19.39	\$ 15.98
Second quarter	\$ 19.03	\$ 17.99
First quarter	\$ 19.71	\$ 17.86
Fiscal year 2010		
Fourth quarter	\$ 18.19	\$ 16.01
Third quarter	\$ 16.90	\$ 14.78
Second quarter	\$ 16.90	\$ 13.71
First quarter	\$ 16.14	\$ 13.95

On March 7, 2012, the last sale price of our common stock on the NYSE was \$24.27 per share, and there were approximately 194 holders of record of the common stock which did not include shareholders for whom shares are held in "nominee" or "street name."

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 the 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.

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. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis.



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The following table summarizes our dividends declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount(1)</b>
<b>Fiscal year 2012</b>			
March 6, 2012	May 21, 2012	June 15, 2012	\$ 0.140
March 6, 2012	April 20, 2012	May 15, 2012	\$ 0.140
March 6, 2012	March 21, 2012	April 16, 2012	\$ 0.140
December 8, 2011	February 22, 2012	March 15, 2012	\$ 0.135
December 8, 2011	January 18, 2012	February 15, 2012	\$ 0.135
December 8, 2011	December 21, 2011	January 16, 2012	\$ 0.135
Total			\$ 0.825
<b>Fiscal year 2011</b>			
August 4, 2011	November 21, 2011	December 15, 2011	\$ 0.135(2)
August 4, 2011	October 20, 2011	November 15, 2011	\$ 0.135(2)
August 4, 2011	September 21, 2011	October 14, 2011	\$ 0.135(2)
June 7, 2011	June 22, 2011	July 15, 2011	\$ 0.130(2)
June 7, 2011	July 21, 2011	August 15, 2011	\$ 0.130(2)
June 7, 2011	August 19, 2011	September 15, 2011	\$ 0.130(2)
March 9, 2011	March 24, 2011	April 15, 2011	\$ 0.130(2)
March 9, 2011	April 21, 2011	May 16, 2011	\$ 0.130(2)
March 9, 2011	May 20, 2011	June 15, 2011	\$ 0.130(2)
December 9, 2010	February 22, 2011	March 15, 2011	\$ 0.125(2)
December 9, 2010	January 20, 2011	February 15, 2011	\$ 0.125(2)
December 9, 2010	January 6, 2011	January 14, 2011	\$ 0.125(2)
Total			\$ 1.560
<b>Fiscal year 2010</b>			
September 8, 2010	November 19, 2010	December 15, 2010	\$ 0.125(3)
September 8, 2010	October 21, 2010	November 15, 2010	\$ 0.125(3)
September 8, 2010	September 23, 2010	October 15, 2010	\$ 0.125(3)
June 3, 2010	August 20, 2010	September 15, 2010	\$ 0.125(3)
June 3, 2010	July 21, 2010	August 16, 2010	\$ 0.125(3)
June 3, 2010	June 21, 2010	July 15, 2010	\$ 0.125(3)
March 9, 2010	May 20, 2010	June 15, 2010	\$ 0.125(3)
March 9, 2010	April 21, 2010	May 14, 2010	\$ 0.125(3)
March 9, 2010	March 25, 2010	April 15, 2010	\$ 0.125(3)
December 8, 2009	February 22, 2010	March 15, 2010	\$ 0.125(3)
December 8, 2009	January 21, 2010	February 16, 2010	\$ 0.125(3)
December 8, 2009	January 6, 2010	January 15, 2010	\$ 0.125(3)
Total			\$ 1.500
<b>Fiscal year 2009</b>			
Total			\$ 1.500(4),(5)
<b>Fiscal year 2008</b>			
Total			\$ 1.425(5)
<b>Fiscal year 2007</b>			
Total			\$ 0.330(6)
Cumulative dividends declared or paid			\$ 7.140

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(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

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from a RIC do not qualify for the 15% maximum tax rate on 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 2011 were comprised of ordinary income of \$1.25 per share, long term capital gain of \$0.37 per share, and qualified dividend income of \$0.07 per share.
- (3) These dividends attributable to fiscal year 2010 were comprised of ordinary income of \$1.22 per share, long term capital gain of \$0.27 per share, and qualified dividend income of \$0.01 per share.
- (4) These dividends attributable to fiscal year 2009 were comprised of ordinary income of \$1.22 per share and long term capital gain of \$0.16 per share.
- (5) These dividends attributable to fiscal year 2008 were comprised of ordinary income of \$0.95 per share and long term capital gain of \$0.60 per share and included dividends declared during fiscal year 2008 and the dividend declared and accrued as of December 31, 2008 and paid on January 15, 2009, pursuant to the Code.
- (6) 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 for the excess over 98% of our annual taxable income in excess of 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.

Pursuant to a revenue procedure issued by the Internal Revenue Service, or the IRS, the IRS has indicated that it will treat distributions from certain publicly traded RICs (including BDCs) that are paid part in cash and part in stock as dividends that would satisfy the RIC's annual distribution requirements. In order to qualify for such treatment, the revenue procedure requires that at least 10% of the total distribution be paid in cash and that each stockholder have a right to elect to receive its entire distribution in cash. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a proportionate share of the cash to be distributed (although no stockholder electing to receive cash may receive less than 10% of such stockholder's distribution in cash). This revenue procedure applies to distributions declared on or before December 31, 2012, with respect to taxable years ended on or before December 31, 2011.

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Where the IRS revenue procedure is not currently applicable, the IRS has also issued private letter rulings on cash and stock dividends paid by RICs and real estate investment trusts using a 20% cash standard (and, more recently, the 10% cash standard of the above-referenced IRS revenue procedure) if certain requirements are satisfied.

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. We have the option to satisfy the share requirements of the DRIP 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 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.

**SALES OF UNREGISTERED SECURITIES**

During 2011, we issued a total of 348,695 shares of our common stock under the DRIP pursuant to an exemption from the registration requirements of the Securities Act of 1933. The aggregate offering price for the shares of our common stock issued under the DRIP during 2011 was approximately \$6.6 million.

**PURCHASES OF EQUITY SECURITIES**

None.

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**STOCK PERFORMANCE GRAPH**

The following graph compares the stockholder return on our common stock from October 5, 2007 to December 31, 2011 with the Russell 2000 Index and the Main Street Peer Group index. This comparison assumes \$100.00 was invested on October 5, 2007 (the date our common stock began to trade in connection with our initial public offering) in our common stock and in the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

**COMPARISON OF STOCKHOLDER RETURN(1)  
Among Main Street Capital Corporation, the Russell 2000 Index and Main Street Peer Group  
(For the Period October 5, 2007 to December 31, 2011)**

(1) Total return includes reinvestment of dividends through December 31, 2011.

(2) The Main Street Peer Group index is composed of American Capital Strategies, Ltd., Apollo Investment Corporation, Ares Capital Corporation, Gladstone Capital Corporation, Gladstone Investment Corporation, Hercules Technology Growth Capital, Inc., MCG Capital Corporation, NGP Capital Resources Company, Prospect Capital Corporation, Solar Capital Ltd., Medallion Financial Corp., Triangle Capital Corporation, THL Credit, Inc., and TICC Capital Corp.

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**Item 6. Selected Financial Data**

The selected financial and other data below reflects the consolidated operations of Main Street and its subsidiaries for the years ended December 31, 2007, 2008, 2009, 2010, and 2011. The selected financial data at December 31, 2007, 2008, 2009, 2010, and 2011 and for the years ended December 31, 2007, 2008, 2009, 2010, and 2011, 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 included in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
<b>Statement of operations data:</b>					
Investment income:					
Total interest, fee and dividend income	\$ 56,030	\$ 33,525	\$ 14,283	\$ 16,123	\$ 11,312
Interest from idle funds and other	10,210	2,983	1,719	1,172	1,163
<b>Total investment income</b>	<b>66,240</b>	<b>36,508</b>	<b>16,002</b>	<b>17,295</b>	<b>12,475</b>
Expenses:					
Interest	(13,518)	(9,058)	(3,791)	(3,778)	(3,246)
General and administrative	(2,483)	(1,437)	(1,351)	(1,684)	(512)
Expenses reimbursed to Investment Manager	(8,915)	(5,263)	(570)	(1,007)	
Share-based compensation	(2,047)	(1,489)	(1,068)	(511)	
Management fees to affiliate					(1,500)
Professional costs related to initial public offering					(695)
<b>Total expenses</b>	<b>(26,963)</b>	<b>(17,247)</b>	<b>(6,780)</b>	<b>(6,980)</b>	<b>(5,953)</b>
Net investment income	39,277	19,261	9,222	10,315	6,522
Total net realized gain (loss) from investments	2,639	(2,880)	(7,798)	1,398	4,692
Net realized income	41,916	16,381	1,424	11,713	11,214
Total net change in unrealized appreciation (depreciation) from investments	28,478	19,639	8,242	(3,961)	(5,406)
Income tax benefit (provision)	(6,288)	(941)	2,290	3,182	(3,263)
Bargain purchase gain		4,891			
Net increase (decrease) in net assets resulting from operations	64,106	39,970	11,956	10,934	2,545
Noncontrolling interest	(1,139)	(1,226)			
Net increase (decrease) in net assets resulting from operations attributable to common stock	\$ 62,967	\$ 38,744	\$ 11,956	\$ 10,934	\$ 2,545
Net investment income per share basic and diluted	\$ 1.69	\$ 1.16	\$ 0.92	\$ 1.13	\$ 0.76
Net realized income per share basic and diluted	\$ 1.80	\$ 0.99	\$ 0.14	\$ 1.29	\$ 1.31
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	\$ 2.76	\$ 2.38	\$ 1.19	\$ 1.20	\$ 0.30
Weighted average shares outstanding basic and diluted	22,850,299	16,292,846	10,042,639	9,095,904	8,587,701

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	As of December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
<b>Balance sheet data:</b>					
Assets:					
Total portfolio investments at fair value	\$ 563,879	\$ 348,811	\$ 156,740	\$ 127,007	\$ 105,650
Marketable securities and idle funds investments	120,456	68,753	3,253	4,390	24,063
Cash and cash equivalents	42,650	22,334	30,620	35,375	41,889
Deferred tax asset, net		1,958	2,716	1,121	
Interest receivable and other assets	6,539	4,524	1,510	1,101	1,576
Deferred financing costs, net of accumulated amortization	4,168	2,544	1,611	1,635	1,670
<b>Total assets</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
Liabilities and net assets:					
SBIC debentures(5)	\$ 201,887	\$ 155,558	\$ 65,000	\$ 55,000	\$ 55,000
Credit facility	107,000	39,000			
Deferred tax liability, net	3,776				3,026
Interest payable	3,984	3,195	1,069	1,108	1,063
Dividend payable	2,857			726	
Accounts payable and other liabilities	7,000	1,188	721	1,439	610
<b>Total liabilities</b>	<b>326,504</b>	<b>198,941</b>	<b>66,790</b>	<b>58,273</b>	<b>59,699</b>
<b>Total net asset value</b>	<b>405,711</b>	<b>245,535</b>	<b>129,660</b>	<b>112,356</b>	<b>115,149</b>
<b>Noncontrolling interest</b>	<b>5,477</b>	<b>4,448</b>			
<b>Total liabilities and net assets</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
<b>Other data:</b>					
Weighted average effective yield on LMM debt investments(1)	14.8%	14.5%	14.3%	14.0%	14.3%
Number of LMM portfolio companies(2)	54	44	35	31	27
Weighted average effective yield on privately placed debt investments(1)	10.6%	12.5%	14.4%	N/A	N/A
Number of privately placed portfolio companies	27	15	4	N/A	N/A
Expense ratios (as percentage of average net assets):					
Total expenses, including income tax expense(3)	9.8%(4)	8.8%(4)	5.6%	6.1%	16.2%(3)
Operating expenses(3)	8.0%(4)	8.3%(4)	5.6%	6.1%	10.5%(3)
Operating expenses, excluding interest expense(3)	4.0%(4)	4.0%(4)	2.5%	2.8%	4.8%(3)

- (1) 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.
- (2) Excludes the investment in affiliated Investment Manager, as discussed elsewhere in this Form 10-K.
- (3) The ratio for the year ended December 31, 2007 reflects the impact of professional costs related to the IPO. These costs were 25.7% of operating expenses for the year.
- (4) Ratios are net of amounts attributable to MSC II non-controlling interest.
- (5)

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SBIC debentures for December 31, 2011 and 2010 are \$220,000 and \$180,000 at par; par of \$95,000 is recorded at fair value of \$76,887 and \$70,558, respectively, as of December 31, 2011 and 2010.



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**Item 7. 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 Annual Report on Form 10-K.*

*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 Part I of this report.*

**ORGANIZATION**

Main Street Capital Corporation ("MSCC") was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP ("MSMF") and its general partner, Main Street Mezzanine Management, LLC ("MSMF GP"), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Investment Manager"), (iii) raising capital in an initial public offering, which was completed in October 2007 (the "IPO"), and (iv) thereafter operating as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSMF is licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA") and the Investment Manager acts as MSMF's manager and investment adviser. Because the Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by 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 Investment Manager. The IPO and related transactions discussed above were consummated in October 2007 and are collectively termed the "Formation Transactions."

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC, and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J to the consolidated financial statements). As of December 31, 2011, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding, including approximately 5% owned by affiliates of MSCC. On February 14, 2012, MSCC obtained exemptive relief from the SEC to permit it to acquire the approximately 5% ownership in the total dollar value of the MSC II limited partnership interests held by affiliates of MSCC using the same valuation formula utilized in the Exchange Offer. On February 17, 2012, MSCC acquired a total of approximately 8.5% ownership in the total dollar value of the MSC II limited partnership interests not owned by MSCC, including the approximately 5% held by affiliates of MSCC, in exchange for 170,203 shares of its common stock. After the acquisition of these additional MSC II limited partnership interests on February 17, 2012, an approximately 3.0% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding.

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

MSCC has direct or indirect subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of these entities is to hold certain investments that generate "pass

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through" income for tax purposes. The Taxable Subsidiaries are each taxed at their normal corporate tax rates based on their taxable income.

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

**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies, which we generally define as companies with annual revenues between \$10 million and \$100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based 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 portfolio investments generally range in size from \$5 million to \$25 million.

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 lower middle market 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 solutions, or "one stop" financing. 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. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$429.1 million, with a total cost basis of approximately \$362.4 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. Approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of December 31, 2011. At December 31, 2011, 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 34%. As of December 31, 2010, we had debt and equity investments in 44 LMM portfolio companies with an aggregate fair value of \$279.6 million with a total cost basis of approximately \$253.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.5%. The weighted average annual yields were computed using the effective interest rates for all debt investments at December 31, 2011 and 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we opportunistically pursue investments in privately placed debt securities. Our private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our privately placed portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and four years.

As of December 31, 2011, we had privately placed portfolio investments in 27 companies collectively totaling approximately \$132.9 million in fair value with a total cost basis of approximately \$133.4 million. The weighted average revenues for the 27 privately placed portfolio company investments were approximately \$367 million as of December 31, 2011. Our privately placed portfolio investments are primarily in the form of debt investments and 69% of such debt investments at cost were secured by first priority liens on portfolio

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company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 10.6% as of December 31, 2011. As of December 31, 2010, we had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio company investments were approximately \$352 million. The weighted average annual effective yield on our privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010. The weighted average yield was computed using the effective interest rates for all debt investments at December 31, 2011 and 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

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 is a wholly owned subsidiary of MSCC and MSC II is a majority owned subsidiary 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 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.

During 2011, we paid dividends on a monthly basis totaling \$1.56 per share, or \$34.9 million. We generated undistributed taxable income (or "spillover income") of approximately \$7.9 million, or \$0.30 per share, during 2011 that will be carried forward toward distributions paid in 2012. In December 2011, we declared monthly dividends for the first quarter of 2012 totaling \$0.405 per share, representing an 8% increase compared to the monthly dividends for the first quarter of 2011. In March 2012, we declared monthly dividends for the second quarter of 2012 totaling \$0.42 per share, representing a 7.7% increase compared to the monthly dividends for the second quarter of 2011. During 2010, we paid monthly dividends of \$0.125 per share, or \$1.50 per share for the entire year. Including the dividends declared for the first and second quarters of 2012, we will have paid approximately \$7.14 per share in cumulative dividends since our October 2007 initial public offering.

At December 31, 2011, we had \$42.7 million in cash and cash equivalents and \$120.5 million in marketable securities and idle funds investments. In the fourth quarter of 2011, we expanded our credit facility (the "Credit Facility"), from \$155 million to \$235 million to provide additional liquidity in support of future investment and operational activities. The \$80 million increase in total commitments included commitment increases by lenders currently participating in the Credit Facility, as well as the addition of two new lender relationships which further diversified our lending group to a total of eight participants.

In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and offering costs. In March 2011, we completed a follow-on public stock offering in which we sold 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share (or approximately 141% of the then latest reported Net Asset Value per share), resulting

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in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

A proposed bill in the U.S. House of Representatives, the Small Business Investment Company Modernization Act of 2011, or House Bill 3219, would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225 million to \$350 million. Another bill in the U.S. Senate, Senate Bill 2136, to increase the total SBIC leverage capacity for affiliated SBIC funds to \$350 million was recently introduced in the U.S. Senate and referred to the Committee on Small Business and Entrepreneurship. If either of these bills is enacted, Main Street's SBIC leverage capacity through the Funds would increase by an additional \$125 million. While Main Street is positioned to benefit from the full passage of either bill, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). For the years ended December 31, 2011 and 2010, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of our portfolio investments in LMM companies, private placement portfolio investments, and our investment in the Investment Manager but excludes all of our "marketable securities and idle funds investments." "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. Our results of operations and cash flows for the years ended December 31, 2011, 2010, and 2009, and financial position as of December 31, 2011 and 2010, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation.

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 own a controlled operating company that provides all or substantially all of its services directly to us, or to an investment company of ours. None of the investments made by us qualify for this exception. Therefore, our portfolio investments are carried on the balance sheet at fair value, as discussed further in Note B to our consolidated financial statements, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on our Statement of Operations until the investment is exited, resulting in any gain or loss on exit being recognized as a "Net Realized Gain (Loss) from Investments."

*Portfolio Investment Valuation*

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of December 31, 2011 and 2010, approximately 76% and 78%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including our investment in the Investment Manager). We are required to report our investments at fair value. We follow the provisions of the 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 portfolio strategy calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by middle market companies that are

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generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM companies generally have no established trading market while privately placed debt securities generally have established markets that are not active. We determine in good faith the fair value of our portfolio investments 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. For LMM investments, we review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For private placement portfolio investments, we generally use observable inputs such as quoted prices in the valuation process. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control investments are composed of equity and debt securities for which we have a controlling interest in the portfolio company or have the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for our control investments. As a result, we determine the fair value of control investments 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 investments. 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. The valuation approaches for our control 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 investments are composed of debt and equity securities 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 for non-control LMM investments are generally not readily available. 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 instruments. For non-control LMM debt investments, we determine the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Our estimate of the expected repayment date of an LMM debt security is generally the legal maturity date of the instrument, as we generally intend to hold our loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield 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 face 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 analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or if an 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 private placement portfolio investments primarily consist of direct 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 private placement portfolio investments are non-control investments and are composed of debt securities for which we do not have a controlling interest

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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.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our LMM investments may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. 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 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 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. For services that are separately identifiable and evidence exists to substantiate fair value, income is recognized as earned, which is generally when the investment or other applicable transaction closes. Fees received in connection with debt financing transactions for services that do not meet these criteria are treated as debt origination fees and are accreted into interest income over the life of the financing.

*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 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.

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***Income Taxes***

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

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

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

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

**PORTFOLIO INVESTMENT COMPOSITION**

LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies. The LMM debt investments are 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.

Private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our privately placed portfolio debt investments are generally secured by either a first or second priority lien.

Summaries of the composition of our LMM investment portfolio, private placement investment portfolio, and total investment portfolio at cost and fair value as a percentage of the total LMM investment portfolio,

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the total private placement investment portfolio, and the total investment portfolio are shown in the following table:

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	69.5%	68.2%	69.1%	70.6%	70.2%	70.5%
Equity	20.5%	1.0%	15.1%	17.7%	0.9%	14.3%
Second lien debt	5.0%	30.8%	12.1%	6.7%	28.2%	11.2%
Equity warrants	5.0%	0.0%	3.7%	5.0%	0.7%	4.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	57.7%	68.3%	60.3%	62.6%	70.7%	64.2%
Equity	29.0%	1.0%	22.2%	21.9%	0.9%	17.8%
Second lien debt	4.4%	30.7%	10.8%	6.5%	27.8%	10.6%
Equity warrants	8.9%	0.0%	6.7%	9.0%	0.6%	7.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the LMM investment portfolio, private placement investment portfolio, and total investment portfolio composition by geographic region of the United States at cost and fair value as a percentage of total LMM investment portfolio, total private placement investment portfolio, and total investment portfolio. The geographic composition is determined by the location of the corporate headquarters of the portfolio company:

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	47.8%	26.4%	42.0%	50.5%	12.5%	42.7%
West	31.9%	17.0%	27.7%	29.3%	13.4%	26.1%
Midwest	9.0%	21.3%	12.4%	7.2%	29.6%	11.8%
Northeast	3.9%	24.0%	9.4%	6.0%	40.0%	13.0%
Southeast	7.4%	11.3%	8.5%	7.0%	4.5%	6.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	52.1%	25.9%	45.7%	51.8%	12.7%	44.2%
West	28.9%	17.0%	26.0%	28.4%	13.4%	25.5%
Midwest	8.7%	21.5%	11.8%	7.2%	29.3%	11.5%
Northeast	3.9%	24.2%	8.8%	6.2%	40.1%	12.8%
Southeast	6.4%	11.4%	7.7%	6.4%	4.5%	6.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



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Our LMM and private placement portfolio investments are in companies conducting business in a variety of industries. Set forth below are tables showing the composition of our LMM portfolio investments, private placement portfolio investments, and total portfolio investments by industry at cost and fair value as of December 31, 2011 and 2010:

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	15.4%	0.0%	11.2%	15.0%	0.0%	11.9%
Energy Equipment & Services	9.2%	12.8%	10.2%	6.3%	6.5%	6.4%
Machinery	9.9%	3.7%	8.2%	11.0%	0.0%	8.7%
Media	8.7%	4.0%	7.4%	8.5%	18.6%	10.6%
Health Care Providers & Services	6.5%	7.6%	6.8%	5.3%	2.3%	4.6%
Construction & Engineering	5.3%	4.7%	5.1%	7.2%	0.0%	5.8%
Software	2.8%	7.7%	4.2%	3.8%	0.0%	3.1%
Specialty Retail	5.3%	0.0%	3.8%	6.8%	0.0%	5.4%
Hotels, Restaurants & Leisure	2.1%	7.2%	3.5%	3.3%	0.0%	2.6%
Insurance	3.1%	4.4%	3.4%	0.0%	0.0%	0.0%
Electronic Equipment, Instruments & Components	4.6%	0.0%	3.3%	5.2%	0.0%	4.2%
Food & Staples Retailing	0.0%	10.7%	2.9%	0.0%	29.8%	6.1%
Professional Services	3.5%	0.0%	2.6%	1.3%	0.0%	1.0%
Internet Software & Services	3.0%	0.0%	2.2%	3.6%	0.0%	2.9%
Consumer Finance	3.0%	0.0%	2.1%	0.0%	0.0%	0.0%
Diversified Consumer Services	2.7%	0.0%	1.9%	5.2%	0.0%	4.1%
Building Products	2.6%	0.0%	1.9%	3.2%	0.0%	2.5%
Food Products	0.0%	6.8%	1.9%	0.0%	6.1%	1.3%
Paper & Forest Products	2.2%	0.0%	1.6%	3.0%	9.7%	4.4%
Health Care Equipment & Supplies	2.2%	0.0%	1.6%	1.2%	0.0%	0.9%
Transportation Infrastructure	2.0%	0.0%	1.4%	2.8%	0.0%	2.3%
Leisure Equipment & Products	1.9%	0.0%	1.4%	2.6%	0.0%	2.1%
Chemicals	0.0%	5.2%	1.4%	0.0%	3.5%	0.7%
Trading Companies & Distributors	1.9%	0.0%	1.3%	3.3%	0.0%	2.6%
Pharmaceuticals	0.0%	4.4%	1.2%	0.0%	0.0%	0.0%
Real Estate Management & Development	0.0%	4.3%	1.2%	0.0%	0.0%	0.0%
IT Services	0.0%	4.3%	1.2%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	3.8%	1.1%	0.0%	0.0%	0.0%
Diversified Telecommunication Services	0.3%	2.7%	1.0%	0.4%	10.5%	2.5%
Construction Materials	1.1%	0.0%	0.9%	0.0%	0.0%	0.0%
Auto Components	0.0%	3.0%	0.9%	0.0%	0.0%	0.0%
Containers & Packaging	0.0%	2.2%	0.6%	0.0%	0.0%	0.0%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.2%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.4%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other(1)	0.7%	0.5%	0.6%	1.0%	0.2%	0.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 0.5% of portfolio totals

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Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Energy Equipment & Services	11.2%	12.9%	11.6%	7.2%	6.7%	7.1%
Commercial Services & Supplies	13.5%	0.0%	10.2%	13.7%	0.0%	11.1%
Machinery	10.7%	3.7%	9.0%	10.8%	0.0%	8.7%
Health Care Providers & Services	7.4%	7.6%	7.4%	7.1%	2.5%	6.2%
Media	7.4%	4.0%	6.5%	7.6%	18.4%	9.7%
Construction & Engineering	6.0%	4.7%	5.7%	8.2%	0.0%	6.6%
Internet Software & Services	5.8%	0.0%	4.4%	4.8%	0.0%	3.9%
Software	2.8%	7.7%	4.0%	3.5%	0.0%	2.8%
Hotels, Restaurants & Leisure	2.5%	7.1%	3.6%	3.7%	0.0%	3.0%
Insurance	2.6%	4.5%	3.0%	0.0%	0.0%	0.0%
Specialty Retail	3.8%	0.0%	2.9%	6.0%	0.0%	4.8%
Diversified Consumer Services	3.7%	0.0%	2.8%	5.5%	0.0%	4.4%
Electronic Equipment, Instruments & Components	3.7%	0.0%	2.8%	5.0%	0.0%	4.1%
Food & Staples Retailing	0.0%	10.7%	2.6%	0.0%	30.0%	5.8%
Trading Companies & Distributors	2.6%	0.0%	2.0%	3.3%	0.0%	2.7%
Consumer Finance	2.5%	0.0%	1.9%	0.0%	0.0%	0.0%
Professional Services	2.2%	0.0%	1.7%	0.4%	0.0%	0.3%
Paper & Forest Products	2.2%	0.0%	1.6%	3.0%	9.4%	4.2%
Food Products	0.0%	6.7%	1.6%	0.0%	6.2%	1.2%
Transportation Infrastructure	2.0%	0.0%	1.5%	3.0%	0.0%	2.4%
Health Care Equipment & Supplies	1.9%	0.0%	1.4%	1.1%	0.0%	0.9%
Chemicals	0.0%	5.2%	1.3%	0.0%	3.4%	0.7%
Building Products	1.5%	0.0%	1.2%	2.1%	0.0%	1.7%
Pharmaceuticals	0.0%	4.7%	1.1%	0.0%	0.0%	0.0%
Real Estate Management & Development	0.0%	4.5%	1.1%	0.0%	0.0%	0.0%
Leisure Equipment & Products	1.2%	0.0%	1.0%	2.3%	0.0%	1.8%
IT Services	0.0%	3.8%	1.0%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	3.8%	1.0%	0.0%	0.0%	0.0%
Road & Rail	1.0%	0.0%	0.8%	0.9%	0.0%	0.8%
Diversified Telecommunication Services	0.2%	2.7%	0.8%	0.2%	10.3%	2.2%
Auto Components	0.0%	3.0%	0.7%	0.0%	0.0%	0.0%
Containers & Packaging	0.0%	2.2%	0.5%	0.0%	0.0%	0.0%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.1%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.5%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other(1)	1.6%	0.5%	1.3%	0.6%	0.2%	0.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 0.5% of portfolio totals

Our LMM and private placement portfolio investments carry a number of risks including, but not limited to: (1) investing in LMM and middle market 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 LMM and middle market companies.

Table of Contents**PORTFOLIO ASSET QUALITY**

We utilize an internally developed investment rating system to rate the performance of each portfolio company. 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 monitoring and scrutiny by us. 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 portfolio investments receive an initial 3 rating.

The following table shows the distribution of our LMM and privately placed portfolio investments (excluding the investment in our affiliated Investment Manager) on the 1 to 5 investment rating scale at fair value as of December 31, 2011 and 2010:

Investment Rating	December 31, 2011		December 31, 2010	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(dollars in thousands)				
1	\$ 125,505	22.9%	\$ 52,147	15.0%
2	210,038	38.3%	153,408	44.2%
3	195,052	35.6%	122,249	35.3%
4	17,765	3.2%	17,705	5.1%
5	250	0.0%	1,250	0.4%
Totals	\$ 548,610	100.0%	\$ 346,759	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio was approximately 2.2 as of December 31, 2011 and approximately 2.3 as of December 31, 2010. As of December 31, 2011, we had one investment on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and 1.1% of the total portfolio investments at cost (or less than 0.1% and 0.9%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager. As of December 31, 2010, we had two investments on non-accrual status, which comprised approximately 2.6% of the total portfolio investments at fair value and 3.6% of the total portfolio investments at cost (or 2.2% and 3.0%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated 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 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, 2011 and December 31, 2010*

	Years Ended December 31,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Total investment income	\$ 66.2	\$ 36.5	\$ 29.7	81%
Total expenses	(26.9)	(17.2)	(9.7)	56%
Net investment income	39.3	19.3	20.0	104%
Net realized gain (loss) from investments	2.7	(2.9)	5.6	192%
Net realized income	42.0	16.4	25.6	156%
Net change in unrealized appreciation from investments	28.4	19.6	8.8	45%
Income tax provision	(6.3)	(1.0)	(5.3)	568%
Bargain purchase gain		4.9	(4.9)	NM
Noncontrolling interest	(1.1)	(1.2)	0.1	(7)%
Net increase in net assets resulting from operations attributable to common stock	\$ 63.0	\$ 38.7	\$ 24.3	63%

	Years Ended December 31,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Net investment income	\$ 39.3	\$ 19.3	\$ 20.0	104%
Share-based compensation expense	2.0	1.4	0.6	38%
Distributable net investment income(a)	41.3	20.7	20.6	99%
Net realized gain (loss) from investments	2.7	(2.9)	5.6	192%
Distributable net realized income(a)	\$ 44.0	\$ 17.8	\$ 26.2	146%
Distributable net investment income per share				
Basic and diluted(a)(b)	\$ 1.77	\$ 1.25	\$ 0.52	42%
Distributable net realized income per share				
Basic and diluted(a)(b)	\$ 1.89	\$ 1.08	\$ 0.81	74%

(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. generally accepted accounting principles, or GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. Main Street believes 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 its financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-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 GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such GAAP measures in analyzing Main Street's financial performance. A reconciliation of net investment income and net realized income in accordance with GAAP to distributable net investment income and distributable net realized income is presented in the table above.



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*Investment Income*

For the year ended December 31, 2011, total investment income was \$66.2 million, a \$29.7 million, or 81%, increase over the \$36.5 million of total investment income for the corresponding period of 2010. This comparable period increase was principally attributable to (i) a \$23.8 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities investments, (ii) a \$4.3 million increase in dividend income from portfolio equity investments, and (iii) a \$1.6 million increase in fee income due to higher levels of transaction activity. The increase in investment income included a \$2.7 million increase in investment income associated with higher levels of accelerated prepayment and repricing activity for certain debt investments.

*Expenses*

For the year ended December 31, 2011, total expenses increased by approximately \$9.7 million, or 56%, to \$26.9 million from \$17.2 million for the corresponding period of 2010. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$4.5 million as a result of the issuance of an additional \$40 million in SBIC debentures subsequent to December 31, 2010, and increased borrowing activity under the Credit Facility, (ii) higher share-based compensation expense of \$0.6 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$4.7 million related to the significant increase in investment income and portfolio investments compared to the corresponding period of 2010. The ratio of total operating expenses, excluding interest expense, as a percentage of average total assets for the year ended December 31, 2011 was 2.2%, representing an approximate 7% decrease from the same ratio of 2.4% for the year ended December 31, 2010.

*Distributable Net Investment Income*

Distributable net investment income for the year ended December 31, 2011 increased to \$41.3 million, or \$1.77 per share, compared with distributable net investment income of \$20.7 million, or \$1.25 per share, for the corresponding period of 2010. 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 2011 reflects approximately \$0.12 per share of investment income associated with higher levels of accelerated prepayment and repricing activity for certain debt investments and (ii) a greater number of average shares outstanding compared to the corresponding period in 2010 primarily due to the October 2011, March 2011, and August 2010 follow-on stock offerings.

*Net Investment Income*

Net investment income for the year ended December 31, 2011 was \$39.3 million, or a 104% increase, compared to net investment income of \$19.3 million for the corresponding period of 2010. 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 \$44.0 million, or \$1.89 per share, for the year ended 2011 compared with distributable net realized income of \$17.8 million, or \$1.08 per share, for the corresponding period of 2010. The increase was primarily attributable to the higher level of distributable net investment income as well as the higher level of total net realized gain from investments in 2011 compared to the net realized loss from investments in the corresponding period of 2010. The \$2.6 million net realized gain during 2011 was primarily attributable to (i) realized gain recognized on one partial exit of an LMM portfolio company equity investment, (ii) realized gain recognized on one full exit of an LMM portfolio company equity investment, and (iii) realized gains related to privately placed and marketable securities investments. The \$2.9 million net realized loss during the 2010 year was primarily attributable to \$5.9 million of realized

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loss from our debt and equity investments in two portfolio companies, partially offset by (i) \$2.3 million of realized gain on two partial exits and one full exit of portfolio company equity investments and (ii) \$0.7 million of realized gain related to private placement, marketable securities, and idle funds investments.

#### *Net Realized Income*

The higher level of net investment income and the change from net realized loss to net realized gain from investments during 2011 resulted in a \$25.6 million increase in net realized income compared with the corresponding period of 2010.

#### *Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2011, the \$28.4 million net change in unrealized appreciation was principally attributable to (i) unrealized appreciation on 42 portfolio investments totaling \$54.4 million, partially offset by unrealized depreciation on 24 portfolio investments totaling \$14.2 million, (ii) \$2.1 million of net unrealized depreciation on investments in marketable securities and idle funds investments, (iii) accounting reversals of net unrealized appreciation related to the net realized gains recognized during 2011 in the amounts of \$2.8 million for portfolio investments and \$0.4 million for marketable securities and idle funds investments, (iv) \$6.3 million of net unrealized depreciation attributable to our SBIC debentures, and (v) \$0.2 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of \$1.1 million recognized during 2011 reflects the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street. For the year ended December 31, 2011, we also recognized a net income tax provision of \$6.3 million principally related to deferred taxes on net unrealized appreciation of certain portfolio investments held in our Taxable Subsidiaries.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during 2011 was \$63.0 million, or \$2.76 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$38.7 million, or \$2.38 per share, in 2010.

#### *Comparison of years ended December 31, 2010 and December 31, 2009*

	Years Ended December 31,		Net Change	
	2010	2009	Amount	%
(dollars in millions)				
Total investment income	\$ 36.5	\$ 16.0	\$ 20.5	128%
Total expenses	(17.2)	(6.8)	(10.4)	154%
Net investment income	19.3	9.2	10.1	109%
Total net realized loss from investments	(2.9)	(7.8)	4.9	NM
Net realized income	16.4	1.4	15.0	1050%
Net change in unrealized appreciation	19.6	8.2	11.4	138%
Income tax benefit (provision)	(1.0)	2.3	(3.3)	(141)%
Bargain purchase gain	4.9		4.9	NM
Noncontrolling interest	(1.2)		(1.2)	NM
Net increase in net assets resulting from operations attributable to common stock	\$ 38.7	\$ 11.9	\$ 26.8	224%

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	Years Ended December 31,		Net Change	
	2010	2009	Amount	%
	(dollars in millions)			
Net investment income	\$ 19.3	\$ 9.2	\$ 10.1	109%
Share-based compensation expense	1.4	1.1	0.3	39%
Distributable net investment income(a)	20.7	10.3	10.4	102%
Total net realized loss from investments	(2.9)	(7.8)	4.9	NM
Distributable net realized income(a)	\$ 17.8	\$ 2.5	\$ 15.3	617%
Distributable net investment income per share				
Basic and diluted(a)	\$ 1.25	\$ 1.02	\$ 0.23	22%
Distributable net realized income per share				
Basic and diluted(a)	\$ 1.08	\$ 0.25	\$ 0.83	332%

(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. generally accepted accounting principles, or GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. Main Street believes 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 its financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-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 GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such GAAP measures in analyzing Main Street's financial performance. A reconciliation of net investment income and net realized income in accordance with GAAP to distributable net investment income and distributable net realized income is presented in the table above.

*Investment Income*

For the year ended December 31, 2010, total investment income was \$36.5 million, a \$20.5 million, or 128%, increase over the \$16.0 million of total investment income for the year ended December 31, 2009. This comparable period increase was principally attributable to (i) \$13.1 million of total investment income from portfolio investments held by MSC II, the fund acquired as part of the Exchange Offer, (ii) a \$6.7 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities or idle funds investments, (iii) a \$0.5 million increase in non-recurring interest income in the fourth quarter of 2010 due to higher levels of prepayment activity from our portfolio debt investments, and (iv) a \$0.3 million increase in fee income due to higher levels of transaction activity, partially offset by a \$0.1 million decrease in dividend income principally due to a \$0.9 million special dividend from a portfolio company investment that was received in the third quarter of 2009.

*Expenses*

For the year ended December 31, 2010, total expenses increased by approximately \$10.4 million, or 154%, to \$17.2 million from \$6.8 million for the year ended December 31, 2009. This comparable period increase in expenses was principally attributable to (i) \$7.8 million in interest expense and other operating expenses related to MSC II subsequent to the Exchange Offer, (ii) higher share-based compensation expense of \$0.3 million related to non-cash amortization for restricted share grants, (iii) higher interest expense of \$0.7 million as a result of an additional \$20.0 million in SBIC Debentures issued through MSMF during 2010 and borrowings under our credit facility during the fourth quarter of 2010, and (iv) higher personnel costs and other operating expenses.



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*Distributable Net Investment Income*

Distributable net investment income for the year ended December 31, 2010 was \$20.7 million, or a 102% increase, compared to distributable net investment income of \$10.3 million during the year ended December 31, 2009. The increase in distributable net investment income was primarily due to higher levels 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 2010 reflects a greater number of average shares outstanding compared to 2009 due to the January and August 2010 follow-on stock offerings, as well as the shares issued to consummate the Exchange Offer.

*Net Investment Income*

Net investment income for the year ended December 31, 2010 was \$19.3 million, or a 109% increase, compared to net investment income of \$9.2 million during the year ended December 31, 2009. 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*

For the year ended December 31, 2010, the net realized loss from investments of \$2.9 million was primarily attributable to (i) \$4.0 million of realized loss on our debt and equity investment in one LMM portfolio company during the first quarter of 2010 and (ii) \$1.9 million of realized loss on our debt and equity investment in one LMM portfolio company during the third quarter of 2010, partially offset by (i) \$2.3 million of realized gain during the second quarter of 2010 on the partial exits of equity investments in two LMM portfolio companies and on the full exit of an equity investment in one LMM portfolio company and (ii) \$0.7 million of net realized gain related to private placement, marketable securities, and idle funds investments. The net realized loss of \$7.8 million during the 2009 year related to realized losses recognized on the exit of our investments in two portfolio companies, partially offset by net realized gain on the partial exit of our equity investments in one portfolio company and net realized gain attributable to marketable securities investments.

Distributable net realized income increased \$15.3 million to \$17.8 million, or \$1.08 per share, for 2010 compared with distributable net realized income of \$2.5 million, or \$0.25 per share, in 2009 due to the higher levels of distributable net investment income as well as the change in total net realized loss from investments.

*Net Realized Income*

The higher levels of net investment income for the year ended December 31, 2010, partially offset by the change in total net realized loss during that period, resulted in a \$15.0 million increase in net realized income compared with 2009.

*Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2010, the \$19.6 million net change in unrealized appreciation was principally attributable to (i) \$2.8 million in accounting reversals of net unrealized depreciation attributable to the net realized loss recognized during 2010 as discussed above, (ii) unrealized appreciation on 29 portfolio investments totaling \$18.3 million, offset by unrealized depreciation on 18 portfolio investments totaling \$8.8 million, (iii) \$6.9 million in unrealized appreciation attributable to our SBIC debentures, (iv) \$0.6 million in unrealized appreciation attributable to investments in marketable securities, and (v) \$0.3 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of \$1.2 million recognized during 2010 reflected the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street. During the first quarter of 2010, we also recognized a \$4.9 million bargain purchase gain related to the consummation of the Exchange Offer. The bargain purchase gain recognized during the first quarter of 2010 is a non-recurring gain which was solely generated by the acquisition accounting related to the Exchange Offer. For the year ended

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December 31, 2010, we also recognized a net income tax provision of \$1.0 million principally related to deferred taxes on unrealized appreciation of equity investments held in our Taxable Subsidiaries.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during 2010 was \$38.7 million, or \$2.38 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$11.9 million, or \$1.19 per share, in 2009.

***Liquidity and Capital Resources***

*Cash Flows*

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, (ii) increase in payables, and (iii) realized gains partially offset by (i) increases in interest receivable, (ii) accretion of unearned income, and (iii) non-cash interest and dividends. We used \$220.5 million in net cash from investing activities, principally including the funding of \$249.4 million for new portfolio company investments and the funding of \$142.9 million for marketable securities and idle funds investments, partially offset by (i) \$89.0 million of cash proceeds from the sale of marketable securities and idle funds investments and (ii) \$83.0 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity 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.

For the year ended December 31, 2010, we experienced a net decrease in cash and cash equivalents in the amount of \$8.3 million. During that period, we generated \$16.6 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) increases in interest receivable, (ii) accretion of unearned income, and (iii) non-cash interest and dividends. We used \$176.0 million in net cash from investing activities, principally including the funding of \$157.7 million for new portfolio company investments and the funding of \$100.6 million for marketable securities and idle funds investments, partially offset by (i) \$36.8 million of cash proceeds from the sale of marketable securities and idle funds investments, (ii) \$43.0 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments, and (iii) \$2.5 million in cash acquired as part of the Exchange Offer. During 2010, \$151.1 million in cash was provided by financing activities, which principally consisted of (i) \$85.9 million in net cash proceeds from public stock offerings in January 2010 and August 2010, (ii) \$45.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$39 million in net cash proceeds from the Credit Facility, partially offset by \$16.3 million in cash dividends paid to stockholders and \$2.1 million in loan costs associated with our SBIC debentures and credit facility.

For the year ended December 31, 2009, we experienced a net decrease in cash and cash equivalents in the amount of \$4.8 million. During that period, we generated \$8.0 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) decreases in accounts payable and (ii) non-cash interest and dividends. We used \$26.0 million in net cash from investing activities, principally including the funding of \$85.9 million for marketable securities and idle funds investments and the funding of \$24.7 million for new portfolio company investments, partially offset by \$73.5 million of cash proceeds from the sale of marketable securities and idle funds investments and \$11.1 million in cash proceeds from the repayment of portfolio debt investments. During 2009, \$13.2 million in cash was provided by financing activities, which principally consisted of \$16.2 million in net cash proceeds from a June 2009 public stock offering and \$9.6 million in net proceeds from the issuance of SBIC debentures, partially offset by \$11.2 million in cash dividends and \$1.6 million in purchases of shares of our common stock as part of our share repurchase program.

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*Capital Resources*

As of December 31, 2011, we had \$42.7 million in cash and cash equivalents and \$120.5 million in marketable securities, and idle funds investments. As of December 31, 2011, our net asset value totaled \$405.7 million, or \$15.19 per share. In November 2011, we expanded the Credit Facility from \$155 million to \$210 million to provide additional liquidity in support of future investment and operational activities. The \$55 million increase in total commitments included commitment increases by lenders currently participating in the Credit Facility, as well as the addition of one new lender relationship which diversified our lending group to a total of seven participants. In December 2011, we further expanded the Credit Facility from \$210 million to \$235 million. The \$25 million increase in total commitments included the addition of one new lender relationship which further diversifies our lending group to a total of eight participants. The recent increases in total commitments were executed under the accordion feature of the Credit Facility which allows us to increase the total commitments under the facility up to \$300 million of total commitments from new or 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 plus 2.50% or (ii) the applicable base rate plus 1.50%. We pay unused commitment fees of 0.375% per annum on the average 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 an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At December 31, 2011, we had \$107.0 million in borrowings outstanding under the Credit Facility, bearing interest at an interest rate of 2.77%. As of December 31, 2011, we were in compliance with all financial covenants of the Credit Facility.

In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and offering costs. In March 2011, we completed a follow-on public stock offering in which we sold 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share (or approximately 141% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

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 at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On December 31, 2011, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of approximately 5.1%. The first maturity related to the SBIC debentures does not occur until 2013, and the remaining weighted average duration is approximately 6.7 years as of December 31, 2011.

The Stimulus Bill contains several provisions applicable to SBIC funds, including the Funds. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to \$225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately \$137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between the Funds.

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A proposed bill in the U.S. House of Representatives, the Small Business Investment Company Modernization Act of 2011, or House Bill 3219, would increase the total SBIC leverage capacity for affiliated SBIC funds from \$225 million to \$350 million. Another bill in the U.S. Senate, Senate Bill 2136, to increase the total SBIC leverage capacity for affiliated SBIC funds to \$350 million, was recently introduced in the U.S. Senate and referred to the Committee on Small Business and Entrepreneurship. If either of these bills is enacted, Main Street's SBIC leverage capacity through the Funds would increase by an additional \$125 million. While Main Street is positioned to benefit from the full passage of either bill, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

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 and private placement portfolio investment strategy. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, and diversified bond funds. 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 and private placement portfolio investment needs, and any regulatory requirements applicable to Main Street.

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. A proposal, approved by our stockholders at our June 2011 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 14, 2012. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval. We are seeking such approval for the next year at our 2012 annual stockholders meeting to be held on June 14, 2012.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spillover certain excess undistributed taxable income from one tax year into the next tax year. 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 Main Street, which, in turn, enables us to fund more investments with debt capital.

Although we have been able to secure access to additional liquidity, including recent public stock offerings, our expanded \$235 million Credit Facility, and the increase in available leverage through the SBIC program as part of the Stimulus Bill, 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 May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Fair Value Measurements (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. ASU 2011-04 is effective for interim

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and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have a significant impact on Main Street's financial condition and results of operations.

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

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a significant impact on Main Street's financial condition and results of operations.

### ***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, 2011, we had a total of \$39.6 million in outstanding commitments comprised of (i) seven commitments to fund revolving loans that had not been fully drawn and (ii) two capital commitments that had not been fully called.

### ***Contractual Obligations***

As of December 31, 2011, our future fixed commitments for cash payments on contractual obligations for each of the next five years and thereafter are as follows:

	Total	2012	2013	2014	2015	2016	2017 and thereafter
	(dollars in thousands)						
SBIC debentures	\$ 220,000	\$	\$ 4,000	\$ 18,000	\$ 23,100	\$ 5,000	\$ 169,900
Interest due on SBIC debentures	74,796	11,273	11,270	10,963	9,877	8,736	22,677
Total	\$ 294,796	\$ 11,273	\$ 15,270	\$ 28,963	\$ 32,977	\$ 13,736	\$ 192,577

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As of December 31, 2011, we had \$107.0 million in borrowings outstanding under our \$235 million Credit Facility. Unless extended, the Credit Facility will mature in September 2014.

MSC II is obligated to make payments under an investment advisory agreement with the Investment Manager, MSCC's wholly owned subsidiary. The payments due under the investment advisory agreement were fixed for the first five years at \$3.3 million per year, paid quarterly, until September 30, 2010. Subsequent to September 30, 2010, under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon MSC II assets under management.

MSCC is obligated to make payments under a support services agreement with the Investment Manager. The Investment Manager is reimbursed for its excess operating expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash operating expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the years ended December 31, 2011 and 2010, the expenses reimbursed by MSCC to the Investment Manager and management fees paid by MSC II were \$8.9 million and \$5.3 million, respectively.

***Related Party Transactions***

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At December 31, 2011, the Investment Manager had a receivable of \$4.8 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

***Recent Developments***

On January 5, 2012, Main Street fully exited its debt and equity investments in Currie Acquisitions, LLC ("Currie"). Main Street completed the exit of its debt and equity investments in Currie as part of a buyout of Currie by Accell Group, a Netherlands-based international conglomerate. Main Street exited its debt investment for the full principal amount of approximately \$4.8 million and recognized a realized loss of approximately \$1.2 million on its equity investment.

On February 17, 2012, MSCC acquired approximately 8.5% of the total dollar value of the MSC II limited partnership interests not owned by MSCC, including the approximately 5% held by affiliates of MSCC, in exchange for 170,203 shares of its common stock. Subsequent to the acquisition, an approximately 3.0% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding.

On February 29, 2012, Main Street completed the exit of its debt investment and a portion of its equity investments in Drilling Info, Inc. ("Drilling Info"), as part of an equity investment in Drilling Info by a group of leading private equity investment firms focused on the global software, Internet and data-services industries. As part of the exit, Main Street realized a gain of approximately \$9.2 million on the sale of its equity warrant participation and received the full repayment of the principal amount of \$8.0 million on its debt investment.

On March 6, 2012, Main Street declared monthly dividends for the second quarter of 2012 of \$0.14 per share for each of April, May and June 2012, or a total of \$0.42 per share. The second quarter 2012 dividends represent a 7.7% increase from the dividends declared for the second quarter of 2011 and a 3.7% increase compared to the first quarter of 2012. Including the dividends declared for the second quarter of 2012, Main Street will have paid \$7.14 per share in cumulative dividends since its October 2007 initial public offering.

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**Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, marketable securities, and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The majority of our debt investments are made with fixed interest rates for the term of the investment. However, as of December 31, 2011, approximately 36% of our debt investment portfolio (at cost) bore interest at floating rates with 98% of those floating-rate debt investments (at cost) subject to contractual minimum interest rates. In addition, as of December 31, 2011, approximately 76% of our marketable securities debt investments (at cost) bore interest at floating rates with 98% of those floating-rate debt investments (at cost) subject to contractual minimum interest rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the long term interest rates on our outstanding SBIC debentures, which comprise the majority of our outstanding debt, are fixed for the 10-year life of such debt. As of December 31, 2011, we had not entered into any interest rate hedging arrangements. At December 31, 2011, based on our applicable levels of floating-rate debt investments, a 1% change in interest rates would not have a material effect on our level of interest income from debt investments.

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**Item 8. *Financial Statements and Supplementary Data***

**Index to Financial Statements**

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**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), including the consolidated schedule of investments, as of December 31, 2011 and 2010 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, 2011 and the financial highlights (see Note H) for each of the five years in the period ended December 31, 2011. 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. Our procedures included verification by confirmation of securities as of December 31, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the results of their operations, their changes in net assets and their cash flows for each of the three years in the period ended December 31, 2011, and the financial highlights for each of the five years in the period ended December 31, 2011, 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), Main Street Capital Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 9, 2012, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Houston, Texas  
March 9, 2012

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

We have audited Main Street Capital Corporation's (a Maryland corporation) (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Main Street Capital Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Main Street Capital Corporation's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Main Street Capital Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Main Street Capital Corporation as of December 31, 2011 and 2010, including the consolidated schedule of investments as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows, for each of the three years in the period ended December 31, 2011, and the financial highlights (see Note H) for each of the five years in the period ended December 31, 2011, and our report dated March 9, 2012, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Houston, Texas  
March 9, 2012

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets**

	December 31, 2011	December 31, 2010
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$206,786,888 and \$161,009,443 as of December 31, 2011 and 2010, respectively)	\$ 238,923,711	\$ 174,596,394
Affiliate investments (cost: \$110,157,180 and \$65,650,789 as of December 31, 2011 and 2010, respectively)	146,404,681	80,206,804
Non-Control/Non-Affiliate investments (cost: \$178,858,890 and \$91,911,304 as of December 31, 2011 and 2010, respectively)	176,681,819	91,956,221
Investment in affiliated Investment Manager (cost: \$4,284,042 as of December 31, 2011 and 2010)	1,869,242	2,051,655
<b>Total portfolio investments (cost: \$500,087,000 and \$322,855,578 as of December 31, 2011 and 2010, respectively)</b>	<b>563,879,453</b>	<b>348,811,074</b>
Marketable securities and idle funds investments (cost: \$122,136,830 and \$67,970,907 as of December 31, 2011 and 2010, respectively)	120,455,599	68,752,858
<b>Total investments (cost: \$622,223,830 and \$390,826,485 as of December 31, 2011 and 2010, respectively)</b>	<b>684,335,052</b>	<b>417,563,932</b>
Cash and cash equivalents	42,650,081	22,334,340
Deferred tax asset, net		1,958,593
Interest receivable and other assets	6,538,683	4,523,792
Deferred financing costs (net of accumulated amortization of \$2,166,815 and \$1,504,584 as of December 31, 2011 and 2010, respectively)	4,168,015	2,543,645
<b>Total assets</b>	<b>\$ 737,691,831</b>	<b>\$ 448,924,302</b>
<b>LIABILITIES</b>		
SBIC debentures (par: \$220,000,000 and \$180,000,000 as of December 31, 2011 and 2010, respectively; par of \$95,000,000 is recorded at a fair value of \$76,886,928 and \$70,557,975 as of December 31, 2011 and 2010, respectively)	\$ 201,886,928	\$ 155,557,975
Credit facility	107,000,000	39,000,000
Interest payable	3,984,014	3,194,870
Dividend payable	2,856,457	
Deferred tax liability, net	3,776,320	
Payable to affiliated Investment Manager	4,830,750	15,124
Accounts payable and other liabilities	2,169,245	1,173,295
<b>Total liabilities</b>	<b>326,503,714</b>	<b>198,941,264</b>
Commitments and contingencies		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 26,714,384 and 18,797,444 issued and outstanding as of December 31, 2011 and 2010, respectively)	267,144	187,975
Additional paid-in capital	360,163,711	224,485,165
Accumulated net investment income, net of dividends	12,531,357	9,261,405
Accumulated net realized loss from investments, net of dividends	(20,445,129)	(20,541,897)
Net unrealized appreciation, net of income taxes	53,193,626	32,141,997
<b>Total Net Asset Value</b>	<b>405,710,709</b>	<b>245,534,645</b>
Noncontrolling interest	5,477,408	4,448,393

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Total net assets including noncontrolling interests	411,188,117	249,983,038
Total liabilities and net assets	\$ 737,691,831	\$ 448,924,302
<b>NET ASSET VALUE PER SHARE</b>	\$ 15.19	\$ 13.06

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations**

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>INVESTMENT INCOME:</b>			
Interest, fee and dividend income:			
Control investments	\$ 25,051,361	\$ 17,526,766	\$ 8,022,687
Affiliate investments	12,558,835	8,250,622	4,581,295
Non-Control/Non-Affiliate investments	18,420,306	7,747,739	1,678,962
Total interest, fee and dividend income	56,030,502	33,525,127	14,282,944
Interest from marketable securities, idle funds and other	10,209,508	2,982,780	1,719,303
Total investment income	66,240,010	36,507,907	16,002,247
<b>EXPENSES:</b>			
Interest	(13,518,204)	(9,058,386)	(3,790,702)
General and administrative	(2,482,689)	(1,437,027)	(1,351,451)
Expenses reimbursed to affiliated Investment Manager	(8,914,974)	(5,263,133)	(569,868)
Share-based compensation	(2,047,039)	(1,488,709)	(1,068,397)
Total expenses	(26,962,906)	(17,247,255)	(6,780,418)
<b>NET INVESTMENT INCOME</b>	<b>39,277,104</b>	<b>19,260,652</b>	<b>9,221,829</b>
<b>NET REALIZED GAIN (LOSS) FROM INVESTMENTS:</b>			
Control investments	407,168	(3,587,638)	(3,441,483)
Affiliate investments	758,424		(5,055,796)
Non-Control/Non-Affiliate investments	771,460	235	70,628
Marketable securities and idle funds investments	701,407	707,740	629,103
Total net realized gain (loss) from investments	2,638,459	(2,879,663)	(7,797,548)
<b>NET REALIZED INCOME</b>	<b>41,915,563</b>	<b>16,380,989</b>	<b>1,424,281</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>			
Portfolio investments	37,453,083	12,264,717	9,051,986
Marketable securities and idle funds investments	(2,463,188)	781,951	(171,091)
SBIC debentures	(6,328,953)	6,861,971	
Investment in affiliated Investment Manager	(182,413)	(269,225)	(638,788)
Total net change in unrealized appreciation	28,478,529	19,639,414	8,242,107
Income tax benefit (provision)	(6,287,662)	(940,634)	2,289,841
Bargain purchase gain		4,890,582	
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>64,106,430</b>	<b>39,970,351</b>	<b>11,956,229</b>
Noncontrolling interest	(1,139,238)	(1,226,487)	
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 62,967,192</b>	<b>\$ 38,743,864</b>	<b>\$ 11,956,229</b>
<b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b>	<b>\$ 1.69</b>	<b>\$ 1.16</b>	<b>\$ 0.92</b>
<b>NET REALIZED INCOME PER SHARE BASIC AND DILUTED</b>	<b>\$ 1.80</b>	<b>\$ 0.99</b>	<b>\$ 0.14</b>

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<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE BASIC AND DILUTED</b>	\$	2.76	\$	2.38	\$	1.19
<b>DIVIDENDS PAID PER SHARE</b>	\$	1.56	\$	1.50	\$	1.50
<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b>		22,850,299		16,292,846		10,042,639

The accompanying notes are an integral part of these financial statements

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

	Common Stock			Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Loss From Investments, Net of Dividends	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value	Noncontrolling Interest	Total Net Assets Including Noncontrolling Interest
	Number of Shares	Par Value	Additional Paid-In Capital						
<b>Balances at December 31, 2008</b>	9,206,483	\$ 92,065	\$ 104,467,740	\$ 10,155,593	\$ (6,497,098)	\$ 4,137,756	\$ 112,356,056	\$	\$ 112,356,056
Public offering of common stock, net of offering costs	1,437,500	14,375	16,176,533				16,190,908		16,190,908
Share-based compensation			1,068,397				1,068,397		1,068,397
Dividend reinvestment	271,906	2,719	3,690,001				3,692,720		3,692,720
Share repurchase program	(164,544)	(1,645)	(1,615,461)				(1,617,106)		(1,617,106)
Issuance of restricted stock	107,505	1,075	(1,075)						
Purchase of vested stock for employee payroll tax withholding	(16,403)	(164)	(251,979)				(252,143)		(252,143)
Distributions to noncontrolling interest									
Dividends to stockholders				(12,107,556)	(1,627,374)		(13,734,930)		(13,734,930)
Net increase resulting from operations				9,221,829	(7,797,548)	10,531,948	11,956,229		11,956,229
<b>Balances at December 31, 2009</b>	10,842,447	\$ 108,425	\$ 123,534,156	\$ 7,269,866	\$ (15,922,020)	\$ 14,669,704	\$ 129,660,131	\$	\$ 129,660,131
MSC II exchange offer and related transactions	1,246,803	12,468	20,080,623	4,890,582			24,983,673	3,237,210	28,220,883
Public offering of common stock, net of offering costs	6,095,000	60,950	85,836,250				85,897,200		85,897,200
Share-based compensation			1,488,709				1,488,709		1,488,709
Dividend reinvestment	478,731	4,787	7,632,303				7,637,090		7,637,090
Issuance of restricted stock	157,277	1,573	(1,573)						
Purchase of vested stock for employee payroll tax withholding	(22,814)	(228)	(369,345)				(369,573)		(369,573)
Adjustment to investment in Investment Manager related to the MSC II Exchange Offer			(13,715,958)				(13,715,958)		(13,715,958)
Distributions to noncontrolling interest								(15,304)	(15,304)
Dividends to stockholders				(22,159,695)	(1,740,214)		(23,899,909)		(23,899,909)
Net increase resulting from operations				19,260,652	(2,879,663)	18,698,780	35,079,769		35,079,769
Noncontrolling interest						(1,226,487)	(1,226,487)	1,226,487	
<b>Balances at December 31, 2010</b>	18,797,444	\$ 187,975	\$ 224,485,165	\$ 9,261,405	\$ (20,541,897)	\$ 32,141,997	\$ 245,534,645	\$ 4,448,393	\$ 249,983,038
Public offering of common stock, net of offering costs	7,475,000	74,750	127,698,963				127,773,713		127,773,713
Share-based compensation			2,047,039				2,047,039		2,047,039
Purchase of vested stock for employee payroll tax withholding	(32,725)	(327)	(674,498)				(674,825)		(674,825)
Dividend reinvestment	348,695	3,486	6,608,302				6,611,788		6,611,788

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Issuance of restricted stock	125,970	1,260	(1,260)						
Distributions to noncontrolling interest						(110,223)		(110,223)	
Dividends to stockholders			(36,007,152)	(2,541,691)		(38,548,843)		(38,548,843)	
Net increase resulting from operations			39,277,104	2,638,459	22,190,867	64,106,430		64,106,430	
Noncontrolling interest					(1,139,238)	(1,139,238)	1,139,238		
<b>Balances at December 31, 2011</b>									
	26,714,384	\$ 267,144	\$ 360,163,711	\$ 12,531,357	\$ (20,445,129)	\$ 53,193,626	\$ 405,710,709	\$ 5,477,408	\$ 411,188,117

The accompanying notes are an integral part of these financial statements



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

	Years Ended December 31,		
	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net increase in net assets resulting from operations	\$ 64,106,430	\$ 39,970,351	\$ 11,956,229
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:			
Net change in unrealized appreciation	(28,478,529)	(19,639,414)	(8,242,107)
Net realized (gain) loss from investments	(2,638,459)	2,879,663	7,797,548
Bargain purchase gain		(4,890,582)	
Accretion of unearned income	(6,841,805)	(2,790,394)	(701,956)
Net payment-in-kind interest accrual	(3,645,431)	(2,589,029)	(655,762)
Share-based compensation expense	2,047,039	1,488,709	1,068,397
Amortization of deferred financing costs	662,231	470,012	414,545
Deferred taxes	5,734,913	674,980	(1,594,719)
Changes in other assets and liabilities:			
Interest receivable and other assets	(2,489,081)	(1,961,515)	(359,312)
Interest payable	789,144	782,624	(39,045)
Payable to affiliated Investment Manager	4,815,626	(202,298)	(85,212)
Accounts payable and other liabilities	995,950	343,024	(935,595)
Deferred fees and other	2,097,990	2,068,179	(578,404)
Net cash provided by operating activities	37,156,018	16,604,310	8,044,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in portfolio companies	(249,434,471)	(157,689,915)	(24,741,598)
Principal payments received on loans and debt securities in portfolio companies	80,846,843	39,815,482	11,121,773
Proceeds from sale of equity investments and related notes in portfolio companies	2,131,217	3,175,283	
Cash acquired in MSC II exchange offer		2,489,920	
Investments in marketable securities and idle funds investments	(142,924,801)	(100,563,154)	(85,855,676)
Proceeds from marketable securities and idle funds investments	88,919,469	36,754,208	73,513,104
Net cash used in investing activities	(220,461,743)	(176,018,176)	(25,962,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share repurchase program			(1,617,106)
Proceeds from public offering of common stock, net of offering costs	127,773,713	85,897,200	16,190,908
Distributions to noncontrolling interest	(110,223)	(15,304)	
Dividends paid to stockholders	(28,330,598)	(16,262,819)	(11,167,882)
Net change in DRIP deposit	(750,000)		400,000
Proceeds from issuance of SBIC debentures	40,000,000	45,000,000	10,000,000
Proceeds from credit facility	220,000,000	75,650,000	
Repayments on credit facility	(152,000,000)	(36,650,000)	
Purchase of vested stock for employee payroll tax withholding	(674,825)	(369,573)	(252,143)
Payment of deferred loan costs and SBIC debenture fees	(2,286,601)	(2,121,296)	(390,815)
Net cash provided by financing activities	203,621,466	151,128,208	13,162,962
Net increase (decrease) in cash and cash equivalents	20,315,741	(8,285,658)	(4,754,828)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>22,334,340</b>	<b>30,619,998</b>	<b>35,374,826</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 42,650,081</b>	<b>\$ 22,334,340</b>	<b>\$ 30,619,998</b>

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The accompanying notes are an integral part of these financial statements

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

**December 31, 2011**

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Control Investments(3)</b>				
<b>Café Brazil, LLC</b>	Casual Restaurant Group			
12% Secured Debt (Maturity April 20, 2013)		1,400,000	1,398,919	1,400,000
Member Units (Fully diluted 41.0%)(7)			41,837	3,430,000
			1,440,756	4,830,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Services			
12% Secured Debt (Maturity October 17, 2015)		8,623,000	8,291,024	8,530,339
Warrants (Fully diluted 21.0%)			1,193,333	3,380,333
Common Stock (Fully diluted 9.6%)			1,176,667	1,560,000
			10,661,024	13,470,672
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Training Certification Videos			
14% Secured Debt (Maturity December 31, 2013)		1,750,000	1,750,000	1,750,000
Member Units (Fully diluted 40.8%)(7)			1,299,520	5,570,000
			3,049,520	7,320,000
<b>Ceres Management, LLC (Lambs)</b>	Aftermarket Automotive Services Chain			
14% Secured Debt (Maturity May 31, 2013)		3,770,000	3,749,034	3,749,034
9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025)		1,114,583	1,114,583	1,114,583
Member Units (Fully diluted 79.0%)			4,773,000	1,049,662
Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)			625,000	800,000
			10,261,617	6,713,279
<b>Condit Exhibits, LLC</b>	Tradeshow Exhibits/ Custom Displays			
9% Current / 9% PIK Secured Debt (Maturity July 1, 2013)		4,430,948	4,405,514	4,405,514
Warrants (Fully diluted 47.9%)			320,000	560,000
			4,725,514	4,965,514
<b>Currie Acquisitions, LLC</b>	Retail Electric Bikes			
12% Secured Debt (Maturity March 1, 2015)		4,750,000	4,112,458	4,750,000
Warrants (Fully diluted 47.3%)			2,566,204	100,000
			6,678,662	4,850,000
<b>Gulf Manufacturing, LLC</b>	Industrial Metal Fabrication			
9% PIK Secured Debt (Maturity June 30, 2017)		1,185,131	1,185,131	1,185,131
Member Units (Fully diluted 34.2%)(7)			2,979,813	9,840,000
			4,164,944	11,025,131
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators			
12% Secured Debt (Maturity June 4, 2015)		5,507,375	4,938,487	5,230,000
Preferred stock (8% cumulative)(7)			1,081,110	1,081,110
Warrants (Fully diluted 34.5%)			717,640	2,240,000
			6,737,237	8,551,110
<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/Logistics			
Member Units (Fully diluted 47.6%)(7)			589,398	1,410,000
Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(7)			1,214,784	1,214,784
			1,804,182	2,624,784



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Hydratec, Inc.</b> Common Stock (Fully diluted 92.5%)(7)	Agricultural Services		7,091,911	12,336,911
<b>Indianapolis Aviation Partners, LLC</b> 12% Secured Debt (Maturity September 15, 2014) Warrants (Fully diluted 30.1%)	Fixed Base Operator	4,270,000	4,003,131 1,129,286	4,120,000 1,650,286
<b>Jensen Jewelers of Idaho, LLC</b> Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity November 14, 2013)(8) 13% Current / 6% PIK Secured Debt (Maturity November 14, 2013) Member Units (Fully diluted 60.8%)(7)	Retail Jewelry	2,260,000 2,344,898	2,260,000 2,344,898 811,000	2,260,000 2,344,898 1,750,000
<b>Lighting Unlimited, LLC</b> 8% Secured Debt (Maturity August 22, 2012) Preferred Stock (non-voting) Warrants (Fully diluted 7.1%) Common Stock (Fully diluted 70.0%)	Commercial and Residential Lighting Products and Design Services	2,000,000	1,984,047 510,098 54,000 100,000	1,984,047 510,098 210,000
<b>Mid-Columbia Lumber Products, LLC</b> 10% Secured Debt (Maturity December 18, 2014) 12% Secured Debt (Maturity December 18, 2014) 9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025) Warrants (Fully diluted 9.2%) Member Units (Fully diluted 42.9%) Member Units (Mid-Columbia Real Estate, LLC) (Fully diluted 50.0%)(7)	Specialized Lumber Products	1,250,000 3,670,000 1,062,200	1,250,000 3,670,000 1,062,200 250,000 812,000 250,000	1,250,000 3,670,000 1,062,200 890,000 930,000 810,000
<b>NAPCO Precast, LLC</b> Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2013)(8) 18% Secured Debt (Maturity February 1, 2013) Member Units (Fully diluted 46.3%)(7)	Precast Concrete Manufacturing	3,384,615 5,173,077	3,375,903 5,141,956 2,975,000	3,375,903 5,141,956 4,195,000
<b>NRI Clinical Research, LLC</b> 14% Secured Debt (Maturity September 8, 2016) Warrants (Fully diluted 12.5%) Member Units (Fully diluted 24.8%)	Clinical Research	5,500,000	5,183,403 251,724 500,000	5,183,403 251,724 500,000
<b>NRP Jones, LLC</b> 12% Secured Debt (Maturity December 22, 2016) Warrants (Fully diluted 12.2%) Member Units (Fully diluted 43.2%)	Manufacturer of Hoses, Fittings and Assemblies	12,100,000	11,041,143 816,857 2,900,000	11,041,143 816,857 2,900,000
			14,758,000	14,758,000



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>NTS Holdings, Inc.</b>				
12% Secured Debt (Maturity April 30, 2015)	Trench & Traffic Safety Equipment	5,770,000	5,741,784	5,741,784
Preferred Stock (12% cumulative, compounded quarterly)(7)			11,918,251	11,918,251
Common Stock (Fully diluted 72.3%)			1,621,255	2,140,000
			19,281,290	19,800,035
<b>OMi Holdings, Inc.</b>				
12% Secured Debt (Maturity April 1, 2013)	Manufacturer of Overhead Cranes	7,973,843	7,949,594	7,949,594
Common Stock (Fully diluted 48.0%)			1,080,000	2,270,000
			9,029,594	10,219,594
<b>Pegasus Research Group, LLC (Televerde)</b>				
13% Current / 3% PIK Secured Debt (Maturity January 6, 2016)	Telemarketing and Data Services	6,159,915	6,088,656	6,088,656
Member Units (Fully diluted 43.7%)			1,250,000	1,250,000
			7,338,656	7,338,656
<b>PPL RVs, Inc.</b>				
18% Secured Debt (Maturity June 10, 2015)	Recreational Vehicle Dealers	4,234,526	4,186,015	4,234,526
Common Stock (Fully diluted 51.1%)			2,150,000	3,980,000
			6,336,015	8,214,526
<b>Principle Environmental, LLC</b>				
12% Secured Debt (Maturity February 1, 2016)	Noise Abatement Services	4,750,000	3,766,351	4,080,000
12% Current / 2% PIK Secured Debt (Maturity February 1, 2016)		3,506,854	3,449,867	3,506,854
Warrants (Fully diluted 14.6%)			1,200,000	2,110,000
Member Units (Fully diluted 25.0%)			2,000,000	3,600,000
			10,416,218	13,296,854
<b>River Aggregates, LLC</b>				
12% Secured Debt (Maturity March 30, 2016)	Processor of Construction Aggregates	3,470,000	3,226,888	3,226,888
Warrants (Fully diluted 20.0%)			202,125	100,125
Member Units (Fully diluted 40.0%)			550,000	200,000
			3,979,013	3,527,013
<b>The MPI Group, LLC</b>				
4.5% Current / 4.5% PIK Secured Debt (Maturity October 2, 2013)	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	1,045,013	1,040,768	1,040,768
6% Current / 6% PIK Secured Debt (Maturity October 2, 2013)		5,405,833	5,293,657	5,293,657
Warrants (Fully diluted 47.1%)			895,943	
Member Units (Non-voting)			200,000	
			7,430,368	6,334,425
<b>Thermal &amp; Mechanical Equipment, LLC</b>				
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity September 25, 2014)(8)	Commercial and Industrial Engineering Services	1,272,200	1,266,158	1,266,158
13% Current / 5% PIK Secured Debt (Maturity September 25, 2014)		4,053,020	4,010,236	4,053,020
Member Units (Fully diluted 50.0%)(7)			1,000,000	5,660,000





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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%)(7)			1,113,243	3,290,000
<b>Van Gilder Insurance Corporation</b>	Insurance Brokerage			
8% Secured Debt (Maturity January 31, 2013)		1,000,000	986,937	986,937
8% Secured Debt (Maturity January 31, 2016)		1,721,165	1,705,045	1,705,045
13% Secured Debt (Maturity January 31, 2016)		5,400,000	4,387,071	4,387,071
Warrants (Fully diluted 10.0%)			1,208,643	1,208,643
Common Stock (Fully diluted 15.5%)			2,499,876	2,499,876
			10,787,572	10,787,572
<b>Vision Interests, Inc.</b>	Manufacturer/Installer of Commercial Signage			
6.5% Current /6.5% PIK Secured Debt (Maturity December 23, 2016)		3,000,000	2,934,750	2,934,750
Series A Preferred Stock (Fully diluted 33.3%)			3,000,000	3,000,000
Common Stock (Fully diluted 36.7%)			3,705,570	
			9,640,320	5,934,750
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group			
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity October 1, 2013)(8)		1,000,000	995,966	995,966
13% Current / 5% PIK Secured Debt (Maturity October 1, 2013)		4,298,888	4,270,226	4,270,226
Warrants (Fully diluted 46.6%)			600,000	400,000
			5,866,192	5,666,192
<b>Subtotal Control Investments (34.9% of total investments at fair value)</b>			206,786,888	238,923,711

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Affiliate Investments(4)</b>				
<b>American Sensor Technologies, Inc.</b>	Manufacturer of			
9% Secured Debt (Maturity May 31, 2012)	Commercial/Industrial	3,045,808	3,038,982	3,038,982
Warrants (Fully diluted 19.6%)	Sensors		49,990	3,100,000
			3,088,972	6,138,982
<b>Compact Power Equipment Centers LLC</b>	Equipment/Tool Rental			
6% Current / 6% PIK Secured Debt (Maturity December 31, 2014)		2,855,155	2,831,460	2,831,460
8% PIK Secured Debt (Maturity December 31, 2011)		107,767	107,767	107,767
Series A Member Units (8% cumulative)(7)			852,558	852,558
Member Units (Fully diluted 10.6%)			1,147	1,147
			3,792,932	3,792,932
<b>Drilling Info, Inc.</b>	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity November 20, 2014)		8,000,000	7,064,747	8,000,000
8.75% Secured Debt (Maturity April 18, 2016)		750,000	750,000	750,000
Warrants (Fully diluted 4.9%)			1,250,000	10,360,000
Common Stock (Fully diluted 2.4%)			1,335,325	4,890,325
			10,400,072	24,000,325
<b>East Teak Fine Hardwoods, Inc.</b>	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	380,000
<b>Gault Financial, LLC (RMB Capital, LLC)</b>	Purchases and Manages Liquidation of Distressed Assets			
14% Secured Debt (Maturity November 21, 2016)		10,500,000	9,896,904	9,896,904
Warrants (Fully diluted 22.5%)			400,000	400,000
			10,296,904	10,296,904
<b>Houston Plating &amp; Coatings, LLC</b>	Plating & Industrial Coating Services			
Member Units (Fully diluted 11.1%)(7)			635,000	5,990,000
			635,000	5,990,000
<b>Integrated Printing Solutions, LLC</b>	Specialty Card Printing			
13% Secured Debt (Maturity September 23, 2016)		10,000,000	9,227,866	9,227,866
Warrants (Fully diluted 9.0%)			600,000	600,000
			9,827,866	9,827,866
<b>IRTH Holdings, LLC</b>	Utility Technology Services			
12% Secured Debt (Maturity December 29, 2015)		5,083,940	5,005,859	5,083,940
Member Units (Fully diluted 22.3%)			850,000	2,480,000
			5,855,859	7,563,940
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products			
10% Secured Debt (Maturity March 31, 2012)		14,940	14,940	14,940
14% Secured Debt (Maturity January 23, 2014)		5,250,000	5,250,000	5,250,000
Member Units (Fully diluted 18.8%)(7)			340,833	2,800,000
			5,605,773	8,064,940
<b>Laurus Healthcare, LP</b>	Healthcare Facilities			
9% Secured Debt (Maturity May 12, 2016)		5,850,000	5,850,000	5,850,000
Class A and C Units (Fully diluted 13.1%)(7)			79,505	5,430,000



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Olympus Building Services, Inc.</b>	Custodial/Facilities			
10% Current / 2% PIK Secured Debt (Maturity March 27, 2014)	Services	2,434,109	2,306,027	2,306,027
15% PIK Secured Debt (Maturity March 27, 2014)		994,169	994,169	994,169
Warrants (Fully diluted 22.5%)			470,000	70,005
			3,770,196	3,370,201
<b>OnAsset Intelligence, Inc.</b>	Transportation Monitoring/Tracking Services			
12% Secured Debt (Maturity October 18, 2012)		1,500,000	915,566	915,566
Preferred Stock (7% cumulative) (Fully diluted 5.75%)(7)			1,576,508	1,576,508
Warrants (Fully diluted 4.0%)			830,000	830,000
			3,322,074	3,322,074
<b>OPI International Ltd.</b>	Oil and Gas Construction Services			
12% Secured Debt (Maturity November 30, 2015)		11,520,000	10,882,348	11,130,000
Warrants (Fully diluted 8.0%)			500,000	4,100,000
			11,382,348	15,230,000
<b>Radial Drilling Services Inc.</b>	Oil and Gas Technology			
12% Secured Debt (Maturity November 23, 2016)		4,200,000	3,366,573	3,366,573
Warrants (Fully diluted 24.0%)			758,448	758,448
			4,125,021	4,125,021
<b>Samba Holdings, Inc.</b>	Vehicle Compliance Software & Services			
12.5% Secured Debt (Maturity November 17, 2016)		3,000,000	2,940,714	2,940,714
Common Stock (Fully diluted 14.7%)			950,000	950,000
			3,890,714	3,890,714
<b>Schneider Sales Management, LLC</b>	Sales Consulting and Training			
13% Secured Debt (Maturity October 15, 2013)		3,567,542	3,489,127	250,000
Warrants (Fully diluted 20.0%)			45,000	
			3,534,127	250,000
<b>Spectrio LLC</b>	Audio Messaging Services			
12% Secured Debt (Maturity June 16, 2016)		13,475,000	13,009,486	13,341,000
8% Secured Debt (Maturity June 16, 2016)		168,000	168,000	168,000
Warrants (Fully diluted 9.8%)			886,933	2,720,000
			14,064,419	16,229,000
<b>SYNEO, LLC</b>	Manufacturer of Specialty Cutting Tools and Punches			
12% Secured Debt (Maturity July 13, 2016)		5,500,000	5,373,803	5,373,803
10% Secured Debt (Maturity May 4, 2026)		1,440,000	1,411,754	1,411,754
Member Units (Fully diluted 11.1%)			1,000,000	1,000,000
			7,785,557	7,785,557
<b>Walden Smokey Point, Inc.</b>	Specialty Transportation			
Common Stock (Fully diluted 12.6%)			1,426,667	4,220,000
<b>WorldCall, Inc.</b>	Telecommunication/Information Services			
13% Secured Debt (Maturity April 22, 2012)		646,225	646,225	646,225
Common Stock (Fully diluted 10.0%)			296,631	
			942,856	646,225

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Subtotal Affiliate Investments (21.4% of total investments at fair value)

110,157,180 146,404,681

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Non-Control/Non-Affiliate Investments(5)</b>				
<b>Affinity Videonet, Inc.</b>	Videoconferencing Services			
13% Secured Debt (Maturity December 31, 2015)		2,000,000	1,912,809	2,000,000
13% Current / 1% PIK Secured Debt (Maturity December 31, 2015)		1,132,471	1,125,014	1,125,014
Warrants (Fully diluted 2.6%)			62,500	62,500
			3,100,323	3,187,514
<b>Arrowhead General Insurance Agency, Inc.(9)</b>	Insurance			
LIBOR plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity March 4, 2017)(8)		3,970,000	3,899,359	3,931,551
LIBOR plus 9.5%, Current Coupon 11.25%, Secured Debt (Maturity September 30, 2017)(8)		2,000,000	1,944,320	2,010,000
			5,843,679	5,941,551
<b>Business Development Corporation of America</b>	Investment Management			
LIBOR plus 3.50%, Current Coupon 3.77%, Secured Debt (Maturity January 14, 2013)		5,900,000	5,900,000	5,900,000
<b>Bourland &amp; Leverich Supply Co., LLC(9)</b>	Distributor of Oil & Gas Tubular Goods			
LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity August 19, 2015)(8)		4,190,626	4,028,496	4,064,907
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media			
14% Secured Debt (Maturity April 30, 2015)		6,761,443	6,638,862	6,638,862
<b>CHI Overhead Doors, Inc.(9)</b>	Manufacturer of Overhead Garage Doors			
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity August 17, 2017)(8)		2,493,750	2,446,087	2,462,578
LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity February 17, 2018)(8)		2,500,000	2,451,765	2,462,500
			4,897,852	4,925,078
<b>Diversified Machine(9)</b>	Automotive Component Supplier			
LIBOR plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity November 28, 2017)(8)		2,000,000	1,960,412	2,001,250
<b>EnCap Energy Capital Fund VIII, L.P.(9)</b>	Oil & Gas Investment Management			
LP Interests (Fully diluted 0.2%)			708,747	708,747
<b>Fairway Group Acquisition(9)</b>	Retail Grocery			
LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 3, 2017)(8)		7,462,512	7,403,429	7,252,629
<b>Fram Group Holdings, Inc.(9)</b>	Automotive Maintenance Products			
LIBOR plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(8)		997,500	992,799	998,747
LIBOR plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(8)		1,000,000	995,228	967,500
			1,988,027	1,966,247
<b>Flexera Software(9)</b>	Application Software Services			
LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity September 30, 2018)(8)		3,000,000	2,765,411	2,790,000



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Golden Nugget, LLC(9)</b> LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity May 24, 2016)(8)	Hotel and Gaming	10,000,000	9,636,156	9,450,000
<b>Gundle/SLT Environmental, Inc.(9)</b> LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 27, 2016)(8) LIBOR Plus 9.50%, Current Coupon 13.00%, Secured Debt (Maturity November 23, 2016)(8)	Manufacturer of Geosynthetic Lining Products	2,985,000 4,000,000	2,958,103 3,925,962	2,940,225 3,980,000
<b>Hayden Acquisition, LLC</b> 8% Secured Debt (Maturity January 1, 2012)	Manufacturer of Utility Structures	1,800,000	1,781,303	6,920,225
<b>HMS Income LLC</b> LIBOR plus 3.00%, Current Coupon 3.27%, Secured Debt (Maturity December 12, 2012)	Investment Management	7,500,000	7,500,000	7,500,000
<b>Kadmon Pharmaceuticals(9)</b> LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity October 31, 2012)(8)	Biopharmaceutical Products	6,000,000	5,898,563	6,255,000
<b>Liqui-Box (9)</b> LIBOR plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity December 29, 2017)(8)	Specialty Packaging	3,000,000	2,955,000	2,985,000
<b>Media Holdings, LLC(9)</b> LIBOR plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity April 28, 2014)(8)	Internet Traffic Generator	5,000,000	5,129,078	5,000,000
<b>Megapath, Inc.(9)</b> LIBOR plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity November 3, 2015)(8)	Communications Technology	3,600,000	3,541,327	3,546,000
<b>Metropolitan Health(9)</b> LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity October 4, 2016)(8) LIBOR plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity October 4, 2017)(8)	Healthcare Network Provider	2,000,000 3,250,000	1,971,229 3,186,561	1,940,000 3,185,000
<b>Milk Specialties(9)</b> LIBOR plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity December 27, 2017)(8) LIBOR plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity December 27, 2018)(8)	Nutrition Products	4,000,000 1,000,000	3,880,000 960,000	3,900,000 965,000
<b>Miramax Film NY, LLC(9)</b> Class B Units (Fully diluted 0.2%)	Motion Picture Producer and Distributor		4,840,000 500,000	4,865,000 500,000





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**MAIN STREET CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2011**

<b>Portfolio Company/Type of Investment(1)(2)</b>	<b>Industry</b>	<b>Principal(6)</b>	<b>Cost(6)</b>	<b>Fair Value</b>
<b>National Healing(9)</b> LIBOR plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity November 30, 2017)(8)	Wound Care Management	2,750,000	2,613,645	2,653,750
LIBOR plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity November 30, 2018)(8)		1,500,000	1,410,833	1,432,500
Common Equity (Fully diluted 0.02%)			50,000	50,000
			4,074,478	4,136,250
<b>Northland Cable Television, Inc.(9)</b> LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity December 30, 2016)(8)	Television Broadcasting	4,950,000	4,823,427	4,801,500
<b>Physician Oncology Services, L.P.(9)</b> LIBOR plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity January 31, 2017)(8)	Healthcare Services	941,962	933,702	904,284
<b>Pierre Foods, Inc.(9)</b> LIBOR plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity September 30, 2016)(8)	Foodservice Supplier	4,950,000	4,868,384	4,945,372
LIBOR plus 9.50%, Current Coupon 11.25%, Secured Debt (Maturity September 29, 2017)(8)		2,000,000	1,938,944	1,995,000
			6,807,328	6,940,372
<b>Preferred Sands(9)</b> LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity December 15, 2016)(8)	Producer of Sand Based Proppants	5,000,000	4,876,663	4,887,500
<b>Shearer's Foods, Inc.(9)</b> 12.00% current / 3.75% PIK Secured Debt (Maturity March 31, 2016)	Manufacturer of Food/ Snacks	4,262,307	4,179,069	4,091,815
<b>Sourcehov LLC(9)</b> LIBOR plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity April 28, 2017)(8)	Business Process Services	2,992,500	2,895,553	2,525,670
LIBOR plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity April 30, 2018)(8)		3,000,000	2,872,148	2,505,000
			5,767,701	5,030,670
<b>The Tennis Channel, Inc.</b> LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity January 1, 2013)(8) Warrants (Fully diluted 0.1%)	Television-Based Sports Broadcasting	10,610,008	11,450,362 235,467	11,450,362 235,467
			11,685,829	11,685,829
<b>Ulterra Drilling Technologies, L.P.(9)</b> LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(8)	Oil & Gas Drilling	6,571,994	6,452,419	6,440,554
LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(8)		1,848,367	1,802,844	1,753,601
			8,255,263	8,194,155
<b>UniTek Global Services, Inc.(9)</b> LIBOR plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity 2018)(8)	Engineering and Construction Management Services	6,433,794	6,255,641	6,305,118



Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2011**

<b>Portfolio Company/Type of Investment(1)(2)</b>	<b>Industry</b>	<b>Principal(6)</b>	<b>Cost(6)</b>	<b>Fair Value</b>
<b>Vision Solutions, Inc.(9)</b> LIBOR plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(8)	Computer Software	2,838,141	2,585,863	2,585,412
LIBOR plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(8)		5,000,000	4,954,675	4,850,000
			7,540,538	7,435,412
<b>Walter Investment Management Corp.(9)</b> LIBOR plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(8)	Real Estate	2,887,500	2,833,192	2,886,605
LIBOR plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity December 30, 2016)(8)		3,000,000	2,943,865	3,035,625
			5,777,057	5,922,230
<b>Willis Group, LLC</b> 12% Current / 3% PIK Secured Debt (Maturity December 19, 2014)	Staffing and Recruitment Services	9,000,000	8,823,674	8,823,674
<b>Subtotal Non-Control/Non-Affiliate Investments (25.8% of total investments at fair value)</b>			178,858,890	176,681,819
<b>Main Street Capital Partners, LLC (Investment Manager) (0.3% of total investments at fair value)</b> 100% of Membership Interests	Asset Management		4,284,042	1,869,242
<b>Total Portfolio Investments, December 31, 2011</b>			\$ 500,087,000	\$ 563,879,453

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>				
<b>Academy, Ltd.</b>	Investments in Secured and Rated Debt Investments and Diversified Bond Funds			
LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity August 3, 2018)(8)		\$ 3,000,000	\$ 2,988,534	\$ 2,976,660
<b>A. M. Castle &amp; Co.</b>				
12.75% Bond (Maturity December 15, 2016)		3,000,000	2,895,682	3,015,000
<b>API Technologies</b>				
LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 27, 2016)(8)		2,486,397	2,405,965	2,374,509
<b>ATI Acquisition I Corp.</b>				
LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity March 11, 2016)(8)		2,848,889	2,811,543	2,725,447
<b>Brickman Group Holdings, Inc.</b>				
LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity October 14, 2016)(8)		1,989,950	1,962,059	1,997,437
<b>Carestream Health, Inc.</b>				
LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity February 25, 2017)(8)		2,984,523	2,704,461	2,690,473
<b>Centerplate, Inc.</b>				
LIBOR Plus 8.50%, Current Coupon 10.50%, Secured Debt (Maturity September 16, 2016)(8)		2,970,000	2,896,195	2,966,288
<b>Fairfield Redevelopment Bond</b>				
9.50% Bond (Maturity March 1, 2021)		3,085,000	3,131,800	3,254,367
<b>General Motors Company</b>				
Preferred stock (0.59% cumulative)(7)			255,000	174,675
<b>Helm Financial Corporation</b>				
LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity June 1, 2017)(8)		1,985,000	1,966,715	1,940,338
<b>Henniges Automotive Holdings, Inc.</b>				
LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity October 28, 2016)(8)		2,833,333	2,784,529	2,784,529
<b>HOA Restaurant Group</b>				
11.25% Bond (Maturity April 1, 2017)		2,000,000	2,000,000	1,865,000
<b>Il Fornaio Corporation</b>				
LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity June 10, 2017)(8)		1,985,000	1,975,865	1,978,380
<b>Industry Bond</b>				
8.00% Bond (Maturity January 1, 2020)		3,500,000	3,668,305	3,763,200
<b>Ipreo Holdings LLC</b>				
LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity August 5, 2017)(8)		4,239,375	4,160,249	4,143,989
<b>Ivy Hill Middle Market Credit Fund III, Ltd.</b>				
LIBOR Plus 6.50%, Current Coupon 6.77%, Secured Debt (Maturity January 15, 2022)		2,000,000	1,659,188	1,658,000

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>JJ Lease Funding Corp.</b> LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity April 29, 2017)(8)		3,950,000	3,842,109	3,160,000
<b>Lawson Software, Inc.</b> LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity July 5, 2017)(8)		4,987,500	4,801,166	4,874,833
<b>Medpace Intermediateco, Inc.</b> LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity June 17, 2017)(8)		4,975,000	4,905,415	4,726,250
<b>Mood Media Corporation</b> LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 6, 2018)(8)		2,985,000	2,955,784	2,778,542
<b>MultiPlan, Inc.</b> LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity August 26, 2017)(8)		2,956,320	2,956,320	2,820,831
<b>Ocwen Financial Corporation</b> LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity September 1, 2016)(8)		4,750,000	4,660,292	4,684,689
<b>Pacific Architects and Engineers Incorporated</b> LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity April 4, 2017)(8)		3,995,000	3,917,363	3,875,150
<b>Phillips Plastic Corporation</b> LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 12, 2017)(8)		1,750,000	1,733,484	1,736,875
<b>Pretium Packaging Bond</b> 11.50% Bond (Maturity April 1, 2016)		4,500,000	4,514,776	4,410,000
<b>Race Point Power, LLC</b> LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity January 11, 2018)(8)		4,657,755	4,575,814	4,617,000
<b>Radio One, Inc.</b> LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 31, 2016)(8)		2,977,500	2,925,373	2,775,030
<b>San Diego Redevelopment Bond</b> 7.38% Bond (Maturity September 1, 2037)		275,000	275,000	283,553
<b>SonicWALL, Inc.</b> LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity January 23, 2016)(8)		1,071,774	1,073,277	1,074,454
<b>Speedy Cash Intermediate Holdings Corp.</b> 10.75% Bond (Maturity May 15, 2018)		2,000,000	2,000,000	2,010,000
<b>Stanton Redevelopment Tax Bond</b> 9.00% Bond (Maturity December 1, 2021)		980,000	1,012,308	1,024,492
<b>Stora Enso OYJ</b> 7.25% Bond (Maturity April 15, 2036)		5,700,000	4,596,016	4,645,500
<b>Surgery Center Holdings, Inc.</b> LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 6, 2017)(8)		4,962,500	4,940,029	4,627,532

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Toll Road Bond</b>				
Zero Coupon Bond (Maturity February 15, 2033)		7,500,000	1,619,657	1,940,250
<b>Totes Isotoner Corporation</b>				
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(8)		4,976,172	4,883,062	4,839,328
<b>United Refining Company</b>				
10.50% Bond (Maturity February 28, 2017)		3,990,000	3,965,830	3,730,650
<b>VFH Parent LLC</b>				
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity July 8, 2016)(8)		4,179,703	4,102,916	4,195,398
<b>Visant Corporation</b>				
LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(8)		3,997,651	3,997,651	3,759,930
<b>Wyle Services Corporation</b>				
LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity March 26, 2017)(8)		3,735,267	3,714,898	3,657,442
<b>Yankee Cable Acquisition, LLC</b>				
LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity August 26, 2016)(8)		3,950,000	3,902,200	3,899,578
<b>Subtotal Marketable Securities and Idle Funds Investments (17.6% of total investments at fair value)</b>			122,136,830	120,455,599
<b>Total Investments, December 31, 2011</b>			\$ 622,223,830	\$ 684,335,052

- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
- (2) See Note C for summary geographic location of portfolio companies.
- (3) Controlled investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.
- (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
- (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
- (7) Income producing through dividends or distributions.
- (8)

**Index based floating interest rate is subject to contractual minimum interest rates.**

**(9)**

**Private placement portfolio investment.**



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Control Investments(3)</b>				
<b>Café Brazil, LLC</b>	Casual Restaurant Group			
12% Secured Debt (Maturity April 20, 2013)		2,000,000	1,997,439	2,000,000
Member Units (Fully diluted 41.0%)(7)			41,837	2,240,000
			2,039,276	4,240,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Billing and Records Management			
12% Secured Debt (Maturity October 17, 2013)		7,303,000	6,937,251	6,985,748
Warrants (Fully diluted 20.4%)			1,193,333	3,380,333
Common Stock (Fully diluted 9.7%)			1,176,667	1,390,000
			9,307,251	11,756,081
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Certification Training Videos			
10% Secured Debt (Maturity March 31, 2012)		775,000	775,000	775,000
14% Secured Debt (Maturity December 31, 2013)		2,800,000	2,787,551	2,792,180
Member Units (Fully diluted 40.8%)(7)			1,299,520	3,450,000
			4,862,071	7,017,180
<b>Ceres Management, LLC (Lambs)</b>	Aftermarket Automotive Services Chain			
14% Secured Debt (Maturity May 31, 2013)		4,000,000	3,964,568	3,964,568
9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity August 31, 2014)		1,225,000	1,225,000	1,225,000
Class B Member Units (15% cumulative compounding quarterly) (Non-voting)			1,508,611	1,508,611
Member Units (Fully diluted 70%)			1,813,333	1,100,000
Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)(7)			625,000	625,000
			9,136,512	8,423,179
<b>Condit Exhibits, LLC</b>	Tradeshaw Exhibits/ Custom Displays			
9% current / 9% PIK Secured Debt (Maturity July 1, 2013)		4,660,948	4,619,659	4,619,659
Warrants (Fully diluted 47.9%)			320,000	50,000
			4,939,659	4,669,659
<b>Currie Acquisitions, LLC</b>	Manufacturer of Electric Bicycles/Scooters			
12% Secured Debt (Maturity March 1, 2015)		4,750,000	3,971,699	3,971,699
Warrants (Fully diluted 47.3%)			2,566,204	2,340,204
			6,537,903	6,311,903
<b>Gulf Manufacturing, LLC</b>	Industrial Metal Fabrication			
8% Secured Debt (Maturity August 31, 2014)		3,620,000	3,620,000	3,620,000
13% Secured Debt (Maturity August 31, 2012)		1,680,000	1,649,959	1,675,165
9% PIK Secured Debt (Maturity June 30, 2017)		1,420,784	1,420,784	1,420,784
Member Units (Fully diluted 34.2%)(7)			2,979,813	5,870,000
			9,670,556	12,585,949
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators			
12% Secured Debt (Maturity June 4, 2015)		6,000,000	5,255,101	5,255,101
Warrants (Fully diluted 35.2%)			717,640	717,640
Mandatorily Redeemable Preferred Stock			1,000,000	1,000,000
			6,972,741	6,972,741

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<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/ Logistics		
Member Units (Fully diluted 59.1%)(7)		692,500	1,250,000
Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(7)		1,214,784	1,214,784
		1,907,284	2,464,784

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Hydratec, Inc.</b> Common Stock (Fully diluted 92.5%)(7)	Agricultural Services		7,087,911	9,177,911
<b>Indianapolis Aviation Partners, LLC</b> 12% Secured Debt (Maturity September 15, 2014) Warrants (Fully diluted 30.1%)	FBO / Aviation Support Services	4,500,000	4,140,255 1,129,286	4,350,000 1,570,286
<b>Jensen Jewelers of Idaho, LLC</b> Prime Plus 2% Secured Debt (Maturity November 14, 2011) 13% current / 6% PIK Secured Debt (Maturity November 14, 2011) Member Units (Fully diluted 60.8%)(7)	Retail Jewelry	2,260,000 2,344,897	2,256,486 2,340,040 811,000	2,260,000 2,344,896 1,060,000
<b>Mid-Columbia Lumber Products, LLC</b> 10% Secured Debt (Maturity April 1, 2012) 12% Secured Debt (Maturity December 18, 2011) 9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025) Warrants (Fully diluted 25.5%) Member Units (Fully diluted 26.7%) Member Units (Mid-Columbia Real Estate, LLC) (Fully diluted 50.0%)	Specialized Lumber Products	1,250,000 3,900,000 1,107,400	1,250,000 3,803,664 1,107,400 250,000 500,000 250,000	1,250,000 3,900,000 1,107,400 740,000 770,000 250,000
<b>NAPCO Precast, LLC</b> 18% Secured Debt (Maturity February 1, 2013) Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2013)(8) Member Units (Fully diluted 35.3%)(7)	Precast Concrete Manufacturing	5,923,077 3,384,615	5,860,313 3,368,600 2,020,000	5,923,077 3,384,615 4,340,000
<b>NTS Holdings, Inc.</b> 12% Secured Debt (Maturity April 30, 2015) Preferred stock (12% cumulative, compounded quarterly)(7) Common Stock (Fully diluted 72.3%)	Trench & Traffic Safety Equipment	6,000,000	5,963,931 10,635,273 1,621,255	5,963,931 10,635,273 776,000
<b>OMi Holdings, Inc.</b> 12% Secured Debt (Maturity April 1, 2013) Common Stock (Fully diluted 48.0%)	Manufacturer of Overhead Cranes	10,170,000	10,116,824 1,080,000	10,116,824 500,000
<b>PPL RVs, Inc.</b> 18% Secured Debt (Maturity June 10, 2015) Common Stock (Fully diluted 50.1%)	RV Aftermarket Consignment/Parts	6,250,000	6,165,058 2,150,000	6,165,058 2,150,000
<b>The MPI Group, LLC</b> 4.5% current / 4.5% PIK Secured Debt (Maturity October 2, 2013) 6% current / 6% PIK Secured Debt (Maturity October 2, 2013) Warrants (Fully diluted 47.1%)	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	507,625 5,101,667	501,176 4,935,760 895,943	501,176 4,935,760 190,000
			8,315,058	8,315,058
			6,332,879	5,626,936



Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****December 31, 2010**

<b>Portfolio Company/Type of Investment(1)(2)</b>	<b>Industry</b>	<b>Principal(6)</b>	<b>Cost(6)</b>	<b>Fair Value</b>
<b>Thermal &amp; Mechanical Equipment, LLC</b>	Heat Exchange / Filtration Products and Services			
Prime plus 2%, Current Coupon 9%, Secured Debt (Maturity September 25, 2014)(8)		1,750,000	1,739,152	1,739,152
13% current / 5% PIK Secured Debt (Maturity September 25, 2014)		5,575,220	5,501,111	5,575,220
Warrants (Fully diluted 50.0%)			1,000,000	1,940,000
			8,240,263	9,254,372
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%)(7)			1,113,243	1,560,000
<b>Vision Interests, Inc.</b>	Manufacturer/Installer of Commercial Signage			
2.6% current /10.4% PIK Secured Debt (Maturity June 5, 2012)		9,400,000	8,424,811	8,022,651
2.6% current /10.4% PIK Secured Debt (Maturity June 5, 2016)		760,000	739,663	739,663
Warrants (Fully diluted 38.2%)			160,010	
Common Stock (Fully diluted 22.3%)			372,000	
			9,696,484	8,762,314
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group			
Prime plus 2%, Current Coupon 9%, Secured Debt (Maturity October 1, 2013)(8)		1,000,000	993,937	993,937
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		4,801,810	4,752,088	4,752,088
Warrants (Fully diluted 46.6%)			600,000	470,000
			6,346,025	6,216,025
<b>Subtotal Control Investments</b>			161,009,443	174,596,394

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Affiliate Investments(4)</b>				
<b>American Sensor Technologies, Inc.</b> 9% current / 2% PIK Secured Debt (Maturity May 31, 2012) Warrants (Fully diluted 19.6%)	Manufacturer of Commercial/Industrial Sensors	3,536,182	3,514,113 49,990	3,514,113 1,830,000
			3,564,103	5,344,113
<b>Audio Messaging Solutions, LLC</b> 12% Secured Debt (Maturity May 8, 2014) Warrants (Fully diluted 8.4%)	Audio Messaging Services	7,700,000	7,356,395 468,373	7,426,299 1,280,000
			7,824,768	8,706,299
<b>Compact Power Equipment Centers, LLC</b> 6% Current / 6% PIK Secured Debt (Maturity September 23, 2014) Member Units (Fully diluted 11.5%)	Light to Medium Duty Equipment Rental	3,153,971	3,120,950 1,147	3,120,950 1,147
			3,122,097	3,122,097
<b>DrillingInfo, Inc.</b> 12% Secured Debt (Maturity November 20, 2014) Warrants (Fully diluted 5.0%) Common Stock (Fully diluted 2.1%)	Information Services for the Oil and Gas Industry	8,000,000	6,832,370 1,250,000 1,085,325	7,770,000 4,010,000 1,710,325
			9,167,695	13,490,325
<b>East Teak Fine Hardwoods, Inc.</b> Common Stock (Fully diluted 5.0%)	Hardwood Products		480,318	330,000
<b>Houston Plating &amp; Coatings, LLC</b> Prime plus 2% Debt (Maturity July 18, 2013) Member Units (Fully diluted 11.1%)(7)	Plating & Industrial Coating Services	300,000	300,000 335,000	300,000 3,025,000
			635,000	3,325,000
<b>IRTH Holdings, LLC</b> 12% Secured Debt (Maturity December 29, 2015) Member Units (Fully diluted 22.3%)	Utility Technology Services	6,000,000	5,891,126 850,000	5,891,126 850,000
			6,741,126	6,741,126
<b>KBK Industries, LLC</b> 10% Secured Debt (Maturity March 31, 2011) 14% Secured Debt (Maturity January 23, 2011) Member Units (Fully diluted 18.8%)(7)	Specialty Manufacturer of Oilfield and Industrial Products	514,940 5,250,000	514,940 5,241,999 340,833	514,940 5,241,999 1,790,333
			6,097,772	7,547,272
<b>Laurus Healthcare, LP</b> 13% Secured Debt (Maturity May 7, 2012) 13% Secured Debt (Maturity December 31, 2011) Warrants (Fully diluted 13.1%)	Healthcare Facilities / Services	2,275,000 525,000	2,275,000 525,000 79,505	2,275,000 525,000 4,620,000
			2,879,505	7,420,000
<b>Lighting Unlimited, LLC</b> Prime Plus 1% Secured Debt (Maturity August 22, 2012)(8)	Commercial and Residential Lighting Products	949,996	946,598	946,598

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14% Secured Debt (Maturity August 22, 2012)	and Design Services	1,760,101	1,723,326	1,723,326
Warrants (Fully diluted 17.0%)			54,000	
			2,723,924	2,669,924

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Merrick Systems, Inc.</b>	Software and Information Technology			
13% Secured Debt (Maturity May 5, 2015)		3,000,000	2,540,849	2,540,849
Warrants (Fully diluted 6.5%)			450,000	450,000
			2,990,849	2,990,849
<b>Olympus Building Services, Inc.</b>	Custodial/Facilities Services			
12% Secured Debt (Maturity March 27, 2014)		3,150,000	2,976,408	3,050,000
12% Current / 3% PIK Secured Debt (Maturity March 27, 2014)		984,000	984,001	984,001
Warrants (Fully diluted 22.5%)			470,000	930,000
			4,430,409	4,964,001
<b>OPI International Ltd.</b>	Oil and Gas Construction Services			
12% Secured Debt (Maturity November 30, 2015)		8,700,000	8,537,285	8,537,285
12% Secured Debt (Maturity November 30, 2015)		750,000	252,288	252,288
Warrants (Fully diluted 8.0%)			500,000	500,000
			9,289,573	9,289,573
<b>Schneider Sales Management, LLC</b>	Sales Consulting and Training			
13% Secured Debt (Maturity October 15, 2013)		3,367,542	3,289,127	1,000,000
Warrants (Fully diluted 20.0%)			45,000	
			3,334,127	1,000,000
<b>Walden Smokey Point, Inc.</b>	Specialty Transportation			
Common Stock (Fully diluted 12.6%)			1,426,667	2,620,000
<b>WorldCall, Inc.</b>	Telecommunication/Information Services			
13% Secured Debt (Maturity April 22, 2011)		646,225	646,225	646,225
Common Stock (Fully diluted 10.0%)			296,631	
			942,856	646,225
<b>Subtotal Affiliate Investments</b>			65,650,789	80,206,804



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Non-Control/Non-Affiliate Investments(5)</b>				
<b>Affinity Videonet, Inc.</b>	Videoconferencing Services			
9% Secured Debt (Maturity December 31, 2012)		500,000	490,000	490,000
13% Secured Debt (Maturity December 31, 2015)		2,000,000	1,897,500	1,897,500
13% current / 1% PIK Secured Debt (Maturity December 31, 2015)		2,000,000	1,995,652	1,995,652
Warrants (Fully diluted 2.5%)			62,500	62,500
			4,445,652	4,445,652
<b>Alon Refining Krotz Springs, Inc.(9)</b>	Petroleum Products/ Refining			
13.5% Secured Debt (Maturity October 15, 2014)		4,000,000	3,832,366	3,900,000
<b>Bourland &amp; Leverich Supply Co., LLC(9)</b>	Distributor of Oil & Gas Tubular Goods			
LIBOR Plus 8.0%, Current Coupon 11.25%, Secured Debt (Maturity August 24, 2015)(8)		4,443,750	4,236,574	4,554,847
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media			
14% Secured Debt (Maturity April 30, 2015)		7,312,500	7,151,303	7,151,303
<b>Chef's Warehouse(9)</b>	Specialty Food Distributor			
LIBOR Plus 9.0%, Current Coupon 11%, Secured Debt (Maturity April 24, 2014)(8)		8,137,083	7,907,586	8,219,225
<b>Fairway Group Acquisition(9)</b>	Retail Grocery			
LIBOR plus 9.5%, Current Coupon 12%, Secured Debt (Maturity October 1, 2014)(8)		4,950,008	4,827,316	4,968,818
<b>Full Spectrum Holdings LLC(9)</b>	Professional Services			
LIBOR Plus 3.0%, Current Coupon 10.75%, Secured Debt (Maturity December 12, 2012)(8)		1,523,341	1,301,663	1,301,663
Warrants (Fully diluted 0.28%)			412,523	412,523
			1,714,186	1,714,186
<b>Global Tel*Link Corporation(9)</b>	Communications Technology			
LIBOR Plus 11.25%, Current Coupon 13%, Secured Debt (Maturity May 10, 2017)(8)		3,000,000	2,941,728	2,948,271
<b>Hayden Acquisition, LLC</b>	Manufacturer of Utility Structures			
8% Secured Debt (Maturity January 1, 2011)		1,800,000	1,781,303	250,000
<b>Hoffmaster Group, Inc.(9)</b>	Manufacturer of Specialty Tabletop Products			
LIBOR Plus 5.0%, Current Coupon 7%, Secured Debt (Maturity June 13, 2016)(8)		1,509,615	1,453,860	1,490,745
13.5% Secured Debt (Maturity June 3, 2017)		5,000,000	4,881,278	4,787,500
			6,335,138	6,278,245
<b>Managed Healthcare(9)</b>	Healthcare Products			
LIBOR plus 3.25% Secured Debt (Maturity August 31, 2014)		1,987,606	1,548,214	1,659,650
<b>Megapath Inc.(9)</b>	Communications Technology			
LIBOR plus 10%, Current Coupon 12%, Secured Debt (Maturity November 4, 2015)(8)		4,000,000	3,922,670	4,040,770



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Miramax Film NY, LLC(9)</b> LIBOR plus 6%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(8)	Motion Picture Producer and Distributor	3,000,000	2,940,000	2,940,000
LIBOR plus 11%, Current Coupon 13%, Secured Debt (Maturity December 30, 2016)(8)		4,000,000	3,920,000	3,920,000
Class B Units (Fully diluted 0.2%)			500,000	500,000
			7,360,000	7,360,000
<b>Northland Cable Television, Inc.(9)</b> LIBOR Plus 8.0% Secured Debt (Maturity June 22, 2013)	Cable Broadcasting	5,000,000	4,851,285	4,988,785
<b>Pierre Foods, Inc.(9)</b> Base plus 4.25%, Current Coupon 7.5%, Secured Debt (Maturity September 30, 2016)(8)	Foodservice Supplier	5,000,000	4,903,804	4,992,702
Base plus 8.5%, Current Coupon 11.75%, Secured Debt (Maturity September 29, 2017)(8)		2,000,000	1,932,106	1,992,181
			6,835,910	6,984,883
<b>Rentech Energy Midwest Corporation(9)</b> LIBOR plus 10%, Current Coupon 12.5%, Secured Debt (Maturity July 29, 2014)(8)	Manufacturer of Fertilizer	2,331,606	2,274,262	2,274,262
<b>Shearer's Foods, Inc.(9)</b> 12% Current / 3% PIK Secured Debt (Maturity March 21, 2016)	Manufacturer of Food/ Snacks	4,092,707	3,999,396	4,154,098
<b>Standard Steel, LLC(9)</b> 12% Secured Debt (Maturity April 30, 2015)	Manufacturer of Steel Wheels and Axles	3,000,000	2,902,821	2,988,750
<b>Support Systems Homes, Inc.</b> 15% Secured Debt (Maturity August 21, 2018)	Manages Substance Abuse Treatment Centers	576,600	576,600	576,600
<b>Technical Innovations, LLC</b> 13.5% Secured Debt (Maturity January 16, 2015)	Manufacturer of Specialty Cutting Tools and Punches	2,950,000	2,919,118	2,950,000
<b>The Tennis Channel, Inc.</b> LIBOR plus 6% / 4% PIK, Current Coupon 10% / 4% PIK, Secured Debt (Maturity January 1, 2013)(8)	Sports Broadcasting/ Media	9,198,840	9,230,938	9,230,938
Warrants (Fully diluted 0.10%)			211,938	211,938
			9,442,876	9,442,876
<b>Other Non-Control/Non-Affiliate Investments(10)</b>			105,000	105,000
<b>Subtotal Non-Control/Non-Affiliate Investments</b>			91,911,304	91,956,221
<b>Main Street Capital Partners, LLC (Investment Manager)</b> 100% of Membership Interests	Asset Management		4,284,042	2,051,655
<b>Total Portfolio Investments, December 31, 2010</b>			\$ 322,855,578	\$ 348,811,074



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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>				
<b>AL Gulf Coast Terminals, LLC</b> LIBOR plus 5.0%, Current Coupon 6.75%, Secured Debt (Maturity September 21, 2016)(8)	Investments in Secured and Rated Debt Investments and Diversified Bond Funds	\$ 6,919,997	\$ 6,735,294	\$ 6,746,997
<b>Aspen Dental Management, Inc.</b> LIBOR plus 5.0%, Current Coupon 8.25%, Secured Debt (Maturity October 13, 2016)(8)		4,987,500	4,691,670	4,806,974
<b>ATI Acquisition I Corp.</b> LIBOR plus 5.5%, Current Coupon 7.5%, Secured Debt (Maturity September 14, 2016)(8)		2,885,675	2,841,517	2,857,332
<b>Booz Allen Hamilton Inc.</b> 13% Debt (Maturity July 5, 2016)		1,716,044	1,781,625	1,765,380
<b>Centerplate, Inc.</b> LIBOR plus 7.5% Secured Debt (Maturity September 16, 2016)		3,000,000	2,914,206	2,988,750
<b>CHG Companies, Inc.</b> LIBOR plus 5.5%, Current Coupon 7.25%, Secured Debt (Maturity October 14, 2016)(8)		1,975,000	1,937,558	1,996,754
<b>Excelitas Technologies Corp.</b> LIBOR plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity December 2, 2016)(8)		3,000,000	2,971,096	3,020,771
<b>Gentiva Health Services, Inc.</b> LIBOR plus 5.0%, Current Coupon 6.75%, Secured Debt (Maturity September 20, 2016)(8)		2,981,250	2,975,289	3,014,789
<b>Henniges Automotive Holdings, Inc.</b> LIBOR plus 10.0%, Current Coupon 12%, Secured Debt (Maturity December 7, 2016)(8)		3,000,000	2,941,308	2,941,308
<b>MLM Holdings, Inc.</b> LIBOR plus 5.25%, Current Coupon 7%, Secured Debt (Maturity December 1, 2016)(8)		6,982,500	6,879,686	6,897,406
<b>MultiPlan, Inc.</b> LIBOR plus 4.75%, Current Coupon 6.5%, Secured Debt (Maturity August 26, 2017)(8)		3,876,923	3,863,709	3,913,269
<b>Rite Aid Corporation</b> 7.5% Bond (Maturity March 1, 2017)		2,000,000	1,889,335	1,845,874
<b>SonicWALL, Inc.</b> LIBOR plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity August 1, 2016)(8)		1,794,355	1,797,374	1,807,813
<b>Terex Corporation</b> 7.4% Bond (Maturity January 15, 2014)		2,000,000	2,023,301	2,023,301
<b>Visant Corporation</b> LIBOR plus 5.25%, Current Coupon 7%, Secured Debt (Maturity December 28, 2016)(8)		4,987,500	4,891,963	5,057,003
<b>Vision Solutions, Inc.</b> LIBOR plus 6.0%, Current Coupon 7.75%, Secured Debt (Maturity July 23, 2016)(8)		1,925,000	1,612,010	1,631,338
<b>Western Refining Inc.</b> LIBOR plus 7.5%, Current Coupon 10.75%, Secured Debt (Maturity August 1, 2014)(8)		1,708,883	1,672,628	1,736,654

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>				
<b>Wyle Services Corporation</b>	Investments in Secured and			
LIBOR plus 4.0%, Current Coupon 6%, Secured Debt (Maturity September 10, 2016)(8)	Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds	3,989,992	3,964,645	4,003,290
<b>Yankee Cable Acquisition, LLC</b>				
LIBOR plus 4.5%, Current Coupon 6.5%, Secured Debt (Maturity August 26, 2016)(8)		3,990,000	3,933,213	3,990,000
<b>Other Marketable Securities and Idle Funds Investments(11)</b>		5,529,450	5,653,480	5,707,855
<b>Subtotal Marketable Securities and Idle Funds Investments</b>			67,970,907	68,752,858
<b>Total Investments, December 31, 2010</b>			\$ 390,826,485	\$ 417,563,932

- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
- (2) See Note C for summary geographic location of portfolio companies.
- (3) Controlled investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.
- (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
- (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
- (7) Income producing through dividends or distributions.
- (8) Index based floating interest rate subject to contractual minimum interest rates.
- (9) Private placement portfolio investment.
- (10)

**Other Non-Control/Non-Affiliate investments consist of equity investments in lower middle market companies.**

- (11) Other Marketable Securities and Idle Funds Investments consist of investments in secured and rated debt investments and diversified bond funds.**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J).

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

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

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

**2. Basis of Presentation**

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For the years ended December 31, 2011 and 2010, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of Main Street's investments in lower middle market ("LMM") portfolio companies, private placement portfolio investments, and the investment in the Investment Manager and excludes all "Marketable securities and idle funds investments." The Investment Manager is accounted for as a portfolio investment (see Note D). "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on Main Street's Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.13). Main Street's results of operations and cash flows for the years ended



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**MAIN STREET CAPITAL CORPORATION**

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

December 31, 2011, 2010, and 2009, and financial position as of December 31, 2011 and 2010, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation.

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

***Portfolio Investment Classification***

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Valuation of Portfolio Investments**

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

Main Street's portfolio strategy calls for it to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM companies generally have no established trading market while privately placed debt securities

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**MAIN STREET CAPITAL CORPORATION**

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

generally have established markets that are not active. Main Street determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. For LMM investments, Main Street reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. For private placement portfolio investments, Main Street generally uses observable inputs such as quoted prices in the valuation process. Main Street's valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

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**MAIN STREET CAPITAL CORPORATION**

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

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in an LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 42 portfolio companies, including 41 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2011, representing approximately 81% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of December 31, 2011.

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

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

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

The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's determination of the fair value for its portfolio investments consistent with the 1940 Act requirements. Main Street believes its portfolio investments as of December 31, 2011 and 2010, approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence at those reporting periods.

**2. 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 above, the financial statements include portfolio investments 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 portfolio investment valuations, those estimated values may differ significantly from the values that would have been used had a readily available market for the investments existed, and it is reasonably possible that the differences could be material.

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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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.

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

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

**5. Interest and Dividend Income**

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

Main Street holds debt and preferred equity instruments in its investment portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash.

As of December 31, 2011, Main Street had one investment on non-accrual status, which comprised approximately 0.05% of the total portfolio investments at fair value and 1.10% of the total portfolio investments at cost (or 0.04% and 0.88%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager. As of December 31, 2010, Main Street had two investments on non-accrual status, which comprised approximately 2.6% of the total portfolio investments at fair value and 3.6% of the total portfolio investments at cost (or 2.2% and 3.0%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager.

**6. Deferred Financing Costs**

Deferred financing costs include SBIC debenture commitment fees and SBIC debenture leverage fees which have been capitalized and which are amortized into interest expense over the term of the debenture agreement (10 years).

Deferred financing costs also include costs related to our multi-year investment credit facility. These costs have been capitalized and are amortized into interest expense over their respective terms.

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**MAIN STREET CAPITAL CORPORATION**

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

**7. Fee Income Structuring and Advisory Services**

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

**8. Unearned Income Debt Origination Fees and Original Issue Discount**

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

In connection with its portfolio debt investments, Main Street sometimes receives nominal cost warrants ("nominal cost equity") that are valued as part of the negotiation process with the particular portfolio company. When Main Street receives nominal cost equity, Main Street allocates its cost basis in its investment between its debt securities and its nominal cost equity at the time of origination. Any discount recorded on a debt investment resulting from this allocation is reflected as unearned income, which is netted against the debt investment, and accreted into interest income based on the effective interest method over the life of the debt. The actual collection of this interest may be deferred until the time of debt principal repayment. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income.

**9. Share-Based Compensation**

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

**10. Income Taxes**

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

The Taxable Subsidiaries hold certain portfolio investments of Main Street. The Taxable Subsidiaries are consolidated for U.S. GAAP reporting purposes, and the portfolio investments held by them are included in the consolidated financial statements. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes in order to comply with the "source income" requirements contained in the RIC tax provisions. The Taxable Subsidiaries are not

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

consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, is reflected in the consolidated statement of operations.

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

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

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

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

**12. Concentration of Credit Risks**

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

**13. Fair Value of Financial Instruments**

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

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**14. Earnings per Share**

Basic and diluted per share calculations are computed utilizing the weighted average number of shares of common stock outstanding for the period. Main Street adopted the amended guidance in ASC 260, *Earnings Per Share*, and based on the guidance, determined that unvested shares of restricted stock are participating securities and should therefore be included in the basic earnings per share calculation. As a result, for all periods presented, there is no difference between diluted earnings per share and basic earnings per share amounts.

As a result of the Exchange Offer Transactions in January 2010, the net earnings attributable to the remaining externally owned noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II. The following table provides a reconciliation of Net Investment Income and Net Realized Income excluding amounts related to the remaining noncontrolling interest in MSC II for the years ended December 31, 2011 and 2010.

	Years Ended December 31,	
	2011	2010
Net Investment Income	\$ 39,277,104	\$ 19,260,652
Noncontrolling interest share of Net Investment Income	(765,954)	(291,265)
Net Investment Income attributable to common stock	38,511,150	18,969,387
Total net realized gain (loss) from investments	2,638,459	(2,879,663)
Noncontrolling interest share of net realized (gain) loss from investments	(91,332)	41,085
Net Realized Income attributable to common stock	\$ 41,058,277	\$ 16,130,809
Net Investment Income per share		
Basic and diluted	\$ 1.69	\$ 1.16
Net Realized Income per share		
Basic and diluted	\$ 1.80	\$ 0.99
Weighted average shares outstanding		
Basic and diluted	22,850,299	16,292,846

**15. Recently Issued Accounting Standards**

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

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

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

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 did not have a significant impact on Main Street's financial condition and results of operations.

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

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

**Fair Value Hierarchy**

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

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

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

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);



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

Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and

Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

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

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

As of December 31, 2011 and 2010, Main Street's private placement portfolio investments and marketable securities and idle funds investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments primarily consisted of observable inputs in non-active markets. As a result, all of Main Street's private placement portfolio investments and marketable securities and idle funds investments were categorized as Level 2 as of December 31, 2011 and 2010.

As of December 31, 2011 and 2010, all of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, substantially all of Main Street's LMM portfolio investments were categorized as Level 3. The fair value determination of each LMM portfolio investment required one or more of the following unobservable inputs:

Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;

Current and projected financial condition of the portfolio company;

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

Type and amount of collateral, if any, underlying the investment;

Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;

Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);

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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;

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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.

As of December 31, 2011 and 2010, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a yield approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument, as Main Street generally does not intend to repay its SBIC debentures prior to maturity.

The following table provides a summary of changes in fair value of Main Street's Level 3 portfolio investments for the year ended December 31, 2011:

Type of Investment	December 31, 2010 Fair Value	Accretion of Unearned Income	Redemptions/ Repayments/ Exits(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	December 31, 2011 Fair Value
Debt	\$ 183,894,069	\$ 3,316,254	\$ (39,568,351)	\$ 111,578,113	\$	\$ 969,868	\$ 260,189,953
Equity	61,201,721		(500,000)	26,251,652	(396,898)	27,363,097	113,919,572
Equity warrants	25,080,963		(610,010)	6,686,357	(430,000)	12,541,606	43,268,916
Investment Manager	2,051,655					(182,413)	1,869,242
	\$ 272,228,408	\$ 3,316,254	\$ (40,678,361)	\$ 144,516,122	\$ (826,898)	\$ 40,692,158	\$ 419,247,683

(1) Includes the impact of non-cash conversions

The following table provides a summary of changes in fair value of the Level 3 SBIC Debentures recorded at fair value for the year ended December 31, 2011:

Type of Instrument	December 31, 2010 Fair Value	New SBIC Repayment Debentures	Net Unrealized (Appreciation) Depreciation	December 31, 2011 Fair Value
SBIC Debentures at fair value	\$ 70,557,975	\$	\$ 6,328,953	\$ 76,886,928



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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2011 and 2010, Main Street's investments and SBIC Debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

At December 31, 2011	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	\$ 429,064,270	\$	\$ 11,685,829	\$ 417,378,441
Private placement portfolio investments	132,945,941		132,945,941	
Investment in affiliated Investment Manager	1,869,242			1,869,242
Total portfolio investments	563,879,453		144,631,770	419,247,683
Marketable securities and idle funds investments	120,455,599		120,455,599	
Total investments	\$ 684,335,052	\$	\$ 265,087,369	\$ 419,247,683
SBIC Debentures at fair value	\$ 76,886,928	\$	\$	\$ 76,886,928

At December 31, 2010	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	\$ 279,619,629	\$	\$ 9,442,876	\$ 270,176,753
Private placement portfolio investments	67,139,790		67,139,790	
Investment in affiliated Investment Manager	2,051,655			2,051,655
Total portfolio investments	348,811,074		76,582,666	272,228,408
Marketable securities and idle funds investments	68,752,858		68,752,858	
Total investments	\$ 417,563,932	\$	\$ 145,335,524	\$ 272,228,408
SBIC Debentures at fair value	\$ 70,557,975	\$	\$	\$ 70,557,975

For the year ended December 31, 2011, there were no transfers within the three fair value hierarchy levels.

**Portfolio Investment Composition**

Main Street's LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies. The LMM debt investments are secured by either a first or second lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally mature between five and seven years from the original investment date. In most LMM portfolio companies, Main Street also receives nominally priced equity warrants and/or makes direct equity investments, usually in connection with a debt investment.

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

Main Street's private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in Main Street's LMM portfolio. Main Street's privately placed portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and four years.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayment of a debt investment or sale of an equity interest. Investment income in any given year could be highly concentrated among several portfolio companies. For the year ended December 31, 2011, Main Street did not record investment income from any single LMM portfolio company in excess of 10% of total LMM investment income, and Main Street did not record investment income from any single private placement portfolio company in excess of 10% of total private placement investment income. For the year ended December 31, 2010, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of December 31, 2011, Main Street had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$429.1 million, with a total cost basis of approximately \$362.4 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.8%. Approximately 75% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and 93% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies as of December 31, 2011. At December 31, 2011, 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 34%. As of December 31, 2010, Main Street had debt and equity investments in 44 LMM portfolio companies with an aggregate fair value of \$279.6 million with a total cost basis of approximately \$253.0 million and a weighted average annual effective yield on its LMM debt investments of approximately 14.5%. The weighted average annual yields were computed using the effective interest rates for all debt investments at December 31, 2011 and 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

As of December 31, 2011, Main Street had privately placed portfolio investments in 27 companies collectively totaling approximately \$132.9 million in fair value with a total cost basis of approximately \$133.4 million. The weighted average revenues for the 27 privately placed portfolio company investments were approximately \$367 million. Main Street's privately placed portfolio investments are primarily in the form of debt investments and 69% of such debt investments at cost were secured by first priority liens on portfolio company assets as of December 31, 2011. The weighted average annual effective yield on Main Street's privately placed portfolio debt investments was approximately 10.6% as of December 31, 2011. As of December 31, 2010, Main Street had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio company investments were approximately \$352 million. The weighted average annual effective yield on Main Street's privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010. The weighted average annual yields were computed using the effective interest rates for all debt investments at December 31, 2011 and December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

Summaries of the composition of Main Street's LMM investment portfolio, private placement investment portfolio, and total investment portfolio at cost and fair value as a percentage of the total LMM investment

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portfolio, the total private placement investment portfolio, and the total investment portfolio are shown in the following table:

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	69.5%	68.2%	69.1%	70.6%	70.2%	70.5%
Equity	20.5%	1.0%	15.1%	17.7%	0.9%	14.3%
Second lien debt	5.0%	30.8%	12.1%	6.7%	28.2%	11.2%
Equity warrants	5.0%	0.0%	3.7%	5.0%	0.7%	4.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	57.7%	68.3%	60.3%	62.6%	70.7%	64.2%
Equity	29.0%	1.0%	22.2%	21.9%	0.9%	17.8%
Second lien debt	4.4%	30.7%	10.8%	6.5%	27.8%	10.6%
Equity warrants	8.9%	0.0%	6.7%	9.0%	0.6%	7.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the LMM investment portfolio, private placement investment portfolio, and total investment portfolio composition by geographic region of the United States at cost and fair value as a percentage of the total LMM investment portfolio, the total private placement investment portfolio, and the total investment portfolio. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	47.8%	26.4%	42.0%	50.5%	12.5%	42.7%
West	31.9%	17.0%	27.7%	29.3%	13.4%	26.1%
Midwest	9.0%	21.3%	12.4%	7.2%	29.6%	11.8%
Northeast	3.9%	24.0%	9.4%	6.0%	40.0%	13.0%
Southeast	7.4%	11.3%	8.5%	7.0%	4.5%	6.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	52.1%	25.9%	45.7%	51.8%	12.7%	44.2%
West	28.9%	17.0%	26.0%	28.4%	13.4%	25.5%
Midwest	8.7%	21.5%	11.8%	7.2%	29.3%	11.5%
Northeast	3.9%	24.2%	8.8%	6.2%	40.1%	12.8%
Southeast	6.4%	11.4%	7.7%	6.4%	4.5%	6.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%





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Main Street's LMM and private placement portfolio investments are in companies conducting business in a variety of industries. Set forth below are tables showing the composition of Main Street's LMM portfolio investments, private placement portfolio investments, and total portfolio investments by industry at cost and fair value as of December 31, 2011 and 2010:

Cost:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	15.4%	0.0%	11.2%	15.0%	0.0%	11.9%
Energy Equipment & Services	9.2%	12.8%	10.2%	6.3%	6.5%	6.4%
Machinery	9.9%	3.7%	8.2%	11.0%	0.0%	8.7%
Media	8.7%	4.0%	7.4%	8.5%	18.6%	10.6%
Health Care Providers & Services	6.5%	7.6%	6.8%	5.3%	2.3%	4.6%
Construction & Engineering	5.3%	4.7%	5.1%	7.2%	0.0%	5.8%
Software	2.8%	7.7%	4.2%	3.8%	0.0%	3.1%
Specialty Retail	5.3%	0.0%	3.8%	6.8%	0.0%	5.4%
Hotels, Restaurants & Leisure	2.1%	7.2%	3.5%	3.3%	0.0%	2.6%
Insurance	3.1%	4.4%	3.4%	0.0%	0.0%	0.0%
Electronic Equipment, Instruments & Components	4.6%	0.0%	3.3%	5.2%	0.0%	4.2%
Food & Staples Retailing	0.0%	10.7%	2.9%	0.0%	29.8%	6.1%
Professional Services	3.5%	0.0%	2.6%	1.3%	0.0%	1.0%
Internet Software & Services	3.0%	0.0%	2.2%	3.6%	0.0%	2.9%
Consumer Finance	3.0%	0.0%	2.1%	0.0%	0.0%	0.0%
Diversified Consumer Services	2.7%	0.0%	1.9%	5.2%	0.0%	4.1%
Building Products	2.6%	0.0%	1.9%	3.2%	0.0%	2.5%
Food Products	0.0%	6.8%	1.9%	0.0%	6.1%	1.3%
Paper & Forest Products	2.2%	0.0%	1.6%	3.0%	9.7%	4.4%
Health Care Equipment & Supplies	2.2%	0.0%	1.6%	1.2%	0.0%	0.9%
Transportation Infrastructure	2.0%	0.0%	1.4%	2.8%	0.0%	2.3%
Leisure Equipment & Products	1.9%	0.0%	1.4%	2.6%	0.0%	2.1%
Chemicals	0.0%	5.2%	1.4%	0.0%	3.5%	0.7%
Trading Companies & Distributors	1.9%	0.0%	1.3%	3.3%	0.0%	2.6%
Pharmaceuticals	0.0%	4.4%	1.2%	0.0%	0.0%	0.0%
Real Estate Management & Development	0.0%	4.3%	1.2%	0.0%	0.0%	0.0%
IT Services	0.0%	4.3%	1.2%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	3.8%	1.1%	0.0%	0.0%	0.0%
Diversified Telecommunication Services	0.3%	2.7%	1.0%	0.4%	10.5%	2.5%
Construction Materials	1.1%	0.0%	0.9%	0.0%	0.0%	0.0%
Auto Components	0.0%	3.0%	0.9%	0.0%	0.0%	0.0%
Containers & Packaging	0.0%	2.2%	0.6%	0.0%	0.0%	0.0%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.2%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.4%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other(1)	0.7%	0.5%	0.6%	1.0%	0.2%	0.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 0.5% of portfolio totals

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value:	December 31, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Energy Equipment & Services	11.2%	12.9%	11.6%	7.2%	6.7%	7.1%
Commercial Services & Supplies	13.5%	0.0%	10.2%	13.7%	0.0%	11.1%
Machinery	10.7%	3.7%	9.0%	10.8%	0.0%	8.7%
Health Care Providers & Services	7.4%	7.6%	7.4%	7.1%	2.5%	6.2%
Media	7.4%	4.0%	6.5%	7.6%	18.4%	9.7%
Construction & Engineering	6.0%	4.7%	5.7%	8.2%	0.0%	6.6%
Internet Software & Services	5.8%	0.0%	4.4%	4.8%	0.0%	3.9%
Software	2.8%	7.7%	4.0%	3.5%	0.0%	2.8%
Hotels, Restaurants & Leisure	2.5%	7.1%	3.6%	3.7%	0.0%	3.0%
Insurance	2.6%	4.5%	3.0%	0.0%	0.0%	0.0%
Specialty Retail	3.8%	0.0%	2.9%	6.0%	0.0%	4.8%
Diversified Consumer Services	3.7%	0.0%	2.8%	5.5%	0.0%	4.4%
Electronic Equipment, Instruments & Components	3.7%	0.0%	2.8%	5.0%	0.0%	4.1%
Food & Staples Retailing	0.0%	10.7%	2.6%	0.0%	30.0%	5.8%
Trading Companies & Distributors	2.6%	0.0%	2.0%	3.3%	0.0%	2.7%
Consumer Finance	2.5%	0.0%	1.9%	0.0%	0.0%	0.0%
Professional Services	2.2%	0.0%	1.7%	0.4%	0.0%	0.3%
Paper & Forest Products	2.2%	0.0%	1.6%	3.0%	9.4%	4.2%
Food Products	0.0%	6.7%	1.6%	0.0%	6.2%	1.2%
Transportation Infrastructure	2.0%	0.0%	1.5%	3.0%	0.0%	2.4%
Health Care Equipment & Supplies	1.9%	0.0%	1.4%	1.1%	0.0%	0.9%
Chemicals	0.0%	5.2%	1.3%	0.0%	3.4%	0.7%
Building Products	1.5%	0.0%	1.2%	2.1%	0.0%	1.7%
Pharmaceuticals	0.0%	4.7%	1.1%	0.0%	0.0%	0.0%
Real Estate Management & Development	0.0%	4.5%	1.1%	0.0%	0.0%	0.0%
Leisure Equipment & Products	1.2%	0.0%	1.0%	2.3%	0.0%	1.8%
IT Services	0.0%	3.8%	1.0%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	3.8%	1.0%	0.0%	0.0%	0.0%
Road & Rail	1.0%	0.0%	0.8%	0.9%	0.0%	0.8%
Diversified Telecommunication Services	0.2%	2.7%	0.8%	0.2%	10.3%	2.2%
Auto Components	0.0%	3.0%	0.7%	0.0%	0.0%	0.0%
Containers & Packaging	0.0%	2.2%	0.5%	0.0%	0.0%	0.0%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.1%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.5%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other(1)	1.6%	0.5%	1.3%	0.6%	0.2%	0.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 0.5% of portfolio totals

At December 31, 2011, Main Street had no LMM investment that was greater than 10% of its total LMM investment portfolio at fair value and no private placement investment that was greater than 10% of its total private placement investment portfolio at fair value. At December 31, 2010, Main Street had no investment that was greater than 10% of its total investment portfolio at fair value.



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

As part of the Formation Transactions, the Investment Manager became a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment since the Investment Manager is not an investment company and since it conducts a significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries. The Investment Manager receives recurring investment management fees from MSC II pursuant to a separate investment advisory agreement. The payments due under the investment advisory agreement were fixed at \$3.3 million per year, paid quarterly, until September 30, 2010. Subsequent to September 30, 2010, under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon the MSC II assets under management. Subsequent to the closing of the Exchange Offer, the investment in the Investment Manager was reduced to reflect the remaining pro rata portion of the MSC II equity and the related portion of the MSC II management fees that were not acquired by MSCC. The Investment Manager also receives certain management, consulting and advisory fees for providing these services to third parties, and collectively with the MSC II management fees attributable to the remaining noncontrolling interest in MSC II is referred to as the "External Services." The portfolio investment in the 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, based on the same valuation methodologies applied to determine the original valuation. The valuation for the Investment Manager is based on the total estimated present value of the net cash flows received for the External Services, over the estimated dollar averaged life of the related investment management, advisory or consulting contract, and is also based on comparable public market transactions. The net cash flows utilized in the valuation of the Investment Manager exclude any revenues and expenses from MSCC and its subsidiaries, but include the revenues attributable to External Services, and are reduced by an estimated allocation of costs related to providing such External Services. Any change in fair value of the investment in the Investment Manager is recognized on Main Street's statement of operations as "Unrealized appreciation (depreciation) in Investment in affiliated Investment Manager," with a corresponding increase (in the case of appreciation) or decrease (in the case of depreciation) to "Investment in affiliated Investment Manager" on Main Street's balance sheet. As part of the Exchange Offer Transactions, the investment in the Investment Manager was reduced by \$13.7 million and such reduction was recorded against "Additional paid-in capital" as an adjustment to the original valuation recorded as part of the Formation Transactions. Main Street believes that the valuation for the Investment Manager will generally decrease over the life of the investment management, advisory and consulting contracts attributable to third parties, absent obtaining additional recurring cash flows from performing External Services for other external investment entities or other third parties.

The Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income. The taxable income of the Investment Manager may differ from its book income due to temporary book and tax timing differences, as well as permanent differences. The Investment Manager provides for any current taxes payable and deferred tax items in its separate financial statements.

MSCC has a support services agreement with the Investment Manager that is structured to provide reimbursement to the Investment Manager for any personnel, administrative and other costs it incurs in conducting its operational and investment management activities in excess of the fees received for providing management advisory services. As a wholly owned subsidiary of MSCC, the Investment Manager manages the day-to-day operational and investment activities of MSCC and its subsidiaries. The Investment Manager pays personnel and other administrative expenses, except those specifically required to be borne by MSCC which principally include direct costs that are specific to MSCC's status as a publicly traded entity. The expenses paid by the Investment Manager include the cost of salaries and related benefits, rent, equipment and other administrative costs required for day-to-day operations.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Pursuant to the support services agreement with MSCC, the Investment Manager is reimbursed by MSCC for its excess operating expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash operating expenses incurred by the Investment Manager, less fees that the Investment Manager receives pursuant to third party long-term investment advisory agreements and consulting agreements. Subsequent to the consolidation of MSC II in connection with the Exchange Offer, the management fees paid by MSC II to the Investment Manager are now included in "Expenses reimbursed to affiliated Investment Manager" on the statements of operations along with any additional net costs reimbursed by MSCC to the Investment Manager pursuant to the support services agreement. For the years ended December 31, 2011, 2010, and 2009, the expenses reimbursed by MSCC and management fees paid by MSC II to the Investment Manager totaled \$8.9 million, \$5.3 million, and \$0.6 million, respectively.

In its separate stand-alone financial statements as summarized below, the 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 Investment Manager in the Formation Transactions. Because the \$18 million value attributed to MSCC's investment in the Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the \$18 million valuation of the 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. For the years ended December 31, 2011, 2010, and 2009, the Investment Manager recognized \$1.2 million, \$1.1 million, and \$1.0 million of amortization expense in each respective period associated with the intangible asset. Amortization expense is not included in the expenses reimbursed by MSCC to the Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature.

Summarized financial information from the separate financial statements of the Investment Manager is as follows:

	As of December 31,	
	2011	2010
	(Unaudited)	
Cash	\$ 98,918	\$ 191,645
Accounts receivable	28,965	75,501
Accounts receivable MSCC	4,830,750	15,124
Intangible asset (net of accumulated amortization of \$4,392,329 and \$3,209,740 as of December 31, 2011 and 2010, respectively)	13,607,671	14,790,260
Deposits and other	145,133	139,244
Total assets	\$ 18,711,437	\$ 15,211,774
Accounts payable and accrued liabilities	\$ 5,248,338	\$ 566,087
Equity	13,463,099	14,645,687
Total liabilities and equity	\$ 18,711,437	\$ 15,211,774

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Years Ended December 31,		
	2011	2010	2009
	(Unaudited)		
Management fee income from Main Street Capital II	\$ 2,455,353	\$ 3,054,011	\$ 3,325,200
Other management advisory fees	527,499	369,595	287,200
<b>Total income</b>	<b>2,982,852</b>	<b>3,423,606</b>	<b>3,612,400</b>
Salaries, benefits and other personnel costs	(8,270,996)	(4,542,861)	(3,415,837)
Occupancy expense	(327,645)	(308,380)	(348,761)
Professional expenses	(76,637)	(102,122)	(12,794)
Amortization expense intangible asset	(1,182,588)	(1,084,943)	(950,589)
Other expenses	(767,195)	(679,365)	(404,876)
Expense reimbursement from MSCC	6,459,621	2,209,122	569,868
<b>Total net expenses</b>	<b>(4,165,440)</b>	<b>(4,508,549)</b>	<b>(4,562,989)</b>
<b>Net loss</b>	<b>\$ (1,182,588)</b>	<b>\$ (1,084,943)</b>	<b>\$ (950,589)</b>

**NOTE E DEFERRED FINANCING COSTS**

Deferred financing costs balances as of December 31, 2011 and 2010 are as follows:

	As of December 31,	
	2011	2010
SBIC debenture commitment fees	\$ 1,340,000	\$ 1,000,000
SBIC debenture leverage fees	3,065,075	2,095,075
Other	1,929,755	953,154
<b>Subtotal</b>	<b>6,334,830</b>	<b>4,048,229</b>
<b>Accumulated amortization</b>	<b>(2,166,815)</b>	<b>(1,504,584)</b>
<b>Net deferred financing costs balance</b>	<b>\$ 4,168,015</b>	<b>\$ 2,543,645</b>

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2011 and thereafter is as follows:

Years Ended December 31,	Estimated Amortization
2012	\$ 912,678
2013	\$ 903,345
2014	\$ 735,919
2015	\$ 311,167
2016	\$ 273,542
2017 and thereafter	\$ 941,363

**NOTE F SBIC DEBENTURES**

SBIC debentures payable at December 31, 2011 and 2010 were \$220 million and \$180 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 as of December 31, 2011 and 2010 was 5.1% and 5.2%, respectively. The first principal maturity due under the existing SBIC debentures is in 2013, and the remaining weighted average duration as of December 31, 2011



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

is approximately 6.7 years. For the year ended December 31, 2011, Main Street recognized \$11.1 million in interest expense attributable to the SBIC debentures. 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, 2011, the recorded value of the SBIC debentures was \$201.9 million which consisted of (i) \$76.9 million recorded at fair value, or \$18.1 million less than the \$95.0 million face value of these SBIC debentures held in MSC II, and (ii) \$125 million reported at face value and held in MSMF. As of December 31, 2011, 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 \$177.9 million, or \$42.1 million less than the \$220 million face value of the SBIC debentures.

SBIC Debentures payable at December 31, 2011 and 2010 consist of the following:

<b>Maturity Date</b>	<b>Fixed Interest Rate</b>	<b>Amount</b>
9/1/2013	5.762%	\$ 4,000,000
3/1/2014	5.007%	3,000,000
9/1/2014	5.571%	9,000,000
9/1/2014	5.539%	6,000,000
3/1/2015	5.925%	2,000,000
3/1/2015	5.893%	2,000,000
9/1/2015	5.796%	19,100,000
3/1/2017	6.231%	3,900,000
3/1/2017	6.263%	1,000,000
3/1/2017	6.317%	5,000,000
3/1/2020	4.514%	10,000,000
<b>Debentures Acquired in the Exchange Offer on January 7, 2010</b>		
9/1/2016	6.476%	5,000,000
3/1/2017	6.317%	7,100,000
9/1/2017	6.434%	19,800,000
9/1/2017	6.469%	7,900,000
3/1/2018	6.377%	10,200,000
9/1/2019	4.950%	20,000,000
<b>Balances as of Consummation of the Exchange Offer</b>		<b>135,000,000</b>
9/1/2020	3.932%	10,000,000
9/1/2020	3.500%	35,000,000
<b>Balances as of December 31, 2010</b>		<b>180,000,000</b>
3/1/2021	4.369%	10,000,000
3/1/2021	4.599%	20,000,000
9/1/2021	3.392%	10,000,000
<b>Balances as of December 31, 2011</b>		<b>\$ 220,000,000</b>

**NOTE G CREDIT FACILITY**

In November 2011, Main Street expanded its credit facility (the "Credit Facility") from \$155 million to \$210 million to provide additional liquidity in support of future investment and operational activities. The





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**MAIN STREET CAPITAL CORPORATION**

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

\$55 million increase in total commitments included commitment increases by lenders currently participating in the Credit Facility, as well as the addition of one new lender relationship which diversified the Main Street lending group to a total of seven participants. In December 2011, Main Street further expanded the Credit Facility from \$210 million to \$235 million. The \$25 million increase in total commitments included the addition of one new lender relationship which further diversified the lending group to a total of eight participants. The recent increases in total commitments were executed under the accordion feature of the Credit Facility which allows Main Street to increase the total commitments under the facility up to \$300 million of total commitments from new or 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 plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% 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 an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. The Credit Facility will mature in September 2014. At December 31, 2011, Main Street had \$107.0 million in borrowings outstanding under the Credit Facility. For the year ended December 31, 2011, Main Street recognized \$2.5 million in interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs. As of December 31, 2011, the interest rate on the Credit Facility was 2.77%, and Main Street was in compliance with all financial covenants of the Credit Facility.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE H FINANCIAL HIGHLIGHTS

Per Share Data:	Years Ended December 31,				
	2011	2010	2009	2008	2007
Net asset value at beginning of period	\$ 13.06	\$ 11.96	\$ 12.20	\$ 12.85	\$ 4.90
Net investment income(1)(3)	1.69	1.16	0.92	1.13	0.76
Net realized gain (loss) from investments(1)(2)(3)	0.11	(0.17)	(0.78)	0.16	0.55
Net change in unrealized appreciation(1)(2)(3)	1.23	1.14	0.82	(0.44)	(0.63)
Income tax provision(1)(2)(3)	(0.27)	(0.05)	0.23	0.35	(0.38)
Bargain purchase gain(1)		0.30			
Net increase in net assets resulting from operations(1)	2.76	2.38	1.19	1.20	0.30
Net increase in net assets associated with the Formation Transactions and the IPO					8.66
Dividends paid to stockholders	(1.56)	(1.50)	(1.50)	(1.43)	(0.33)
Impact of monthly dividend declared as of December 31 but paid in January of the following year	(0.14)		0.13	(0.13)	
Net decrease in net assets from distributions to partners, net of contributions					(0.72)
Accretive effect of public stock offerings (issuing shares above NAV per share)	0.74	0.49			
Accretive effect of Exchange Offer		0.22			
Adjustment to investment in Investment Manager in connection with Exchange Offer Transactions		(0.73)			
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.05	0.08			0.22
Other(4)	0.28	0.16	(0.06)	(0.29)	(0.18)
Net asset value at December 31	\$ 15.19	\$ 13.06	\$ 11.96	\$ 12.20	\$ 12.85
Market value at December 31	\$ 21.24	\$ 18.19	\$ 16.12	\$ 9.77	\$ 14.01
Shares outstanding at December 31	26,714,384	18,797,444	10,842,447	9,206,483	8,959,718

(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 earnings attributable to MSC II noncontrolling interest.

(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)****Years Ended December 31,**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net asset value at end of period	\$ 405,710,709	\$ 245,534,645	\$ 129,660,131	\$ 112,356,056	\$ 115,149,208
Average net asset value	\$ 327,385,882	\$ 195,785,250	\$ 120,539,528	\$ 114,977,272	\$ 56,882,526
Average outstanding debt	\$ 277,692,308	\$ 158,563,014	\$ 57,000,000	\$ 55,000,000	\$ 53,020,000
Ratio of total expenses, including income tax expense, to average net asset value(1)(2)	9.82%	8.81%	5.63%	6.07%	16.20%
Ratio of operating expenses to average net asset value(1)	7.96%	8.34%	5.63%	6.07%	10.47%
Ratio of operating expenses, excluding interest expense, to average net asset value(1)	4.01%	3.98%	2.48%	2.79%	4.76%
Ratio of net investment income to average net asset value(1)	11.76%	9.65%	7.65%	8.97%	11.47%
Portfolio turnover ratio	30.82%	26.71%	18.48%	19.34%	18.30%
Total return based on change in net asset value(3)	25.64%	26.11%	10.64%	9.84%	5.88%

(1) Ratios are net of amounts attributable to MSC II noncontrolling interest.

(2) Total expenses are the sum of operating expenses and income tax expense. Income tax expense primarily relates to 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 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, as divided by the beginning net asset value.

**NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

Main Street paid monthly dividends of (i) \$0.125 per share for each month of January 2011 through March 2011, (ii) \$0.13 per share for each month of April 2011 through September 2011, and (iii) \$0.135 per share for each month of October 2011 through December 2011, totaling \$34.9 million, or \$1.56 per share, for the 2011 year. For tax purposes, the 2011 dividends were comprised of (i) ordinary income totaling approximately \$1.25 per share, (ii) long term capital gain totaling approximately \$0.37 per share, and (iii) qualified dividend income totaling approximately \$0.07 per share. Main Street estimates that it generated undistributed taxable income of approximately \$7.9 million, or \$0.30 per share, during 2011 that will be carried forward toward distributions paid in 2012. During December 2011, Main Street declared and accrued a \$0.135 per share monthly dividend that was paid in January 2012. For the year ended December 31, 2010, Main Street paid total monthly dividends of approximately \$23.9 million, or \$1.50 per share, for the period.

Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate on 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

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but may also include qualified dividends or return of capital. The tax character of distributions paid for the years ended December 31, 2011, 2010, and 2009 was as follows:

	<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Ordinary income	\$ 29,353,875	\$ 19,464,742	\$ 12,115,234
Qualified dividends	1,444,598	219,063	
Distributions of long term capital gains	7,750,370	4,216,104	1,619,697
Distributions on tax basis	\$ 38,548,843	\$ 23,899,909	\$ 13,734,931

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 prior year.

The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements. 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 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 income tax benefit as a result of their ownership of various portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street's Consolidated Statement of Operations. For the year ended December 31, 2011, Main Street recognized an income tax provision of \$6.3 million primarily consisting of deferred tax expense related to net unrealized appreciation on certain portfolio investments held by the Taxable Subsidiaries.

Main Street's provision for income taxes, including the Taxable Subsidiaries, was comprised of the following:

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current tax expense (benefit):			
Federal	\$	\$	\$ (823,045)
State	252,750	200,000	87,923
Total current tax expense (benefit)	252,750	200,000	(735,122)
Deferred tax expense (benefit):			
Federal	5,435,274	428,064	(1,594,719)
State	299,638	246,917	
Total deferred tax expense (benefit)	5,734,912	674,981	(1,594,719)
Excise tax	300,000	65,653	40,000
Total income tax provision (benefit)	\$ 6,287,662	\$ 940,634	\$ (2,289,841)

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2011, the cost of investments for federal income tax purposes was \$628.8 million, resulting in a gross unrealized appreciation of \$81.7 million and gross unrealized depreciation of \$26.1 million.

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, 2011 and 2010.

	<b>Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(estimated)(1)</b>	
Net increase in net assets resulting from operations	\$ 64,106,430	\$ 39,970,351
Share-based compensation expense	2,047,039	1,488,709
Net realized income allocated to noncontrolling interest	(857,286)	(250,180)
Net change in unrealized appreciation on investments	(28,478,529)	(19,639,414)
Bargain purchase gain		(4,890,582)
Income tax provision	6,287,662	940,634
Pre-tax book (income) loss not consolidated for tax purposes	(223,181)	6,036,427
Book income and tax income differences, including debt origination, structuring fees, dividends, and realized gains	3,014,192	(100,734)
Estimated taxable income	45,896,327	23,555,211
Taxable income earned in prior year and carried forward for distribution in current year	586,227	930,925
Ordinary taxable income earned in current period and carried forward for distribution	(11,540,153)	(586,227)
Dividend accrued as of December 31, 2011 and paid on January 16, 2012	3,606,442	
<b>Total distributions accrued or paid to common stockholders</b>	<b>\$ 38,548,843</b>	<b>\$ 23,899,909</b>

(1)

Main Street's taxable income for 2011 is an estimate and will not be finally determined until the company files its 2011 tax return in 2012. Therefore, the final taxable income, and the taxable income earned in 2011 and carried forward for distribution in 2012, may be different than this estimate.

The net deferred tax liability at December 31, 2011 was \$3.8 million and primarily related to (i) \$11.5 million of deferred tax liability associated with timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries and (ii) \$0.2 million of deferred tax liability associated with timing differences from recognition of realized gains on portfolio investments held by the Taxable Subsidiaries, partially offset by (i) \$6.7 million of deferred tax assets associated with net loss carryforwards primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and (ii) \$1.2 million of deferred tax assets associated with basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes. The net deferred tax asset at December 31, 2010 was \$2.0 million and primarily related to (i) \$6.6 million of deferred tax assets associated with net operating loss carryforwards primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and (ii) \$0.3 million of deferred tax assets associated with basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes, partially offset by \$5.0 million of deferred tax liability associated with timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries. 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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Street did not record a valuation allowance related to its deferred tax assets at December 31, 2011 and 2010. The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2011 and 2010.

	Years Ended December 31,	
	2011	2010
<b>Deferred tax assets:</b>		
Net loss carryforwards resulting from realized losses	6,686,963	6,647,889
Basis differences in portfolio investment "pass through" entities	1,226,870	310,885
Total deferred tax assets	7,913,833	6,958,774
<b>Deferred tax liabilities:</b>		
Net unrealized appreciation of portfolio investments	(11,490,717)	(5,000,181)
Other	(199,436)	
Total deferred tax liabilities	(11,690,153)	(5,000,181)
Total net deferred tax assets (liabilities)	(3,776,320)	1,958,593

For federal income tax purposes, the net loss carryforwards expire in various years from 2028 through 2031. 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 J EXCHANGE OFFER**

On January 7, 2010, MSCC consummated the Exchange Offer to exchange 1,239,695 shares (the "Exchange Shares") of its common stock for approximately 88% of the total dollar value of the limited partner interests in MSC II. Pursuant to the terms of the Exchange Offer, 100% of the membership interests in MSC II GP were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is managed by the Investment Manager. The Exchange Offer was applicable to all MSC II limited partner interests except for any limited partner interests owned by affiliates of MSCC, including any limited partner interests owned by officers or directors of MSCC. The Exchange Offer was formally approved by the SBA prior to closing. The Exchange Shares were subject to a one-year contractual lock-up from the Exchange Offer closing date. An approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC.

The Exchange Offer was accounted for under the acquisition method of accounting in accordance with ASC 805. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities based on their estimated fair values at the Exchange Offer acquisition date as summarized in the following table. The fair value of the MSC II net assets acquired exceeded the fair value of the stock consideration

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

issued, resulting in a bargain purchase gain that was recorded by Main Street in the period that the Exchange Offer was completed.

Value of the stock consideration issued for limited partner interests acquired	\$ 19,934,296(1)
Fair value of noncontrolling limited partner interests	3,396,005(2)
<b>Total stock consideration and noncontrolling interest value</b>	<b>23,330,301</b>
Fair value of MSC II assets and liabilities on January 7, 2010:	
Cash	2,489,920
Debt investments acquired at fair value	64,925,164
Equity investments acquired at fair value	14,930,614
Other assets	808,560
SBIC debentures at fair value	(53,139,092)
Deferred tax liability assumed	(82,827)
Other liabilities	(1,519,608)
<b>Total fair value of MSC II net assets</b>	<b>28,412,731</b>
<b>Bargain purchase gain</b>	<b>5,082,430</b>
Transaction costs associated with the Exchange Offer	(191,848)
<b>Bargain purchase gain, net of transaction costs</b>	<b>\$ 4,890,582</b>

(1) The value of the shares of common stock exchanged for a majority of MSC II limited partner interests was based upon the closing price of Main Street's common stock at January 7, 2010, the closing date of the Exchange Offer.

(2) The fair value of the noncontrolling limited partner interests was based on the noncontrolling interests' share in the total fair value of MSC II net assets at January 7, 2010.

Consummation of the Exchange Offer Transactions provides Main Street with access to additional long-term, low-cost leverage capacity through the SBIC program. The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill") increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to \$225 million for affiliated SBIC funds from the previous SBIC leverage cap of approximately \$137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between MSMF and MSC II.



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Supplemental pro forma information*

The following represents actual operating results for the years ended December 31, 2011 and 2010 and pro forma operating results for the year ended December 31, 2009. The pro forma operating results assume the Exchange Offer Transactions had been completed as of the beginning of the 2009 calendar year:

	Years Ended December 31,		
	2011	2010	Pro Forma 2009
	(Dollars in millions except per share amounts)		
Total investment income	\$ 66.2	\$ 36.5	\$ 26.7
Net investment income	\$ 39.3	\$ 19.3	\$ 12.6
Net increase in net assets resulting from operations attributable to common stock	\$ 63.0	\$ 38.7	\$ 11.4
Net investment income per share basic and diluted	\$ 1.69	\$ 1.16	\$ 0.87
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	\$ 2.76	\$ 2.38	\$ 0.80

**NOTE K COMMON STOCK**

In October 2011, Main Street completed a public stock offering of 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share, resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and offering costs.

In March 2011, Main Street completed a public stock offering of 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share, resulting in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

In August 2010, Main Street completed a public stock offering of 3,220,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$15.00 per share, resulting in total net proceeds of approximately \$45.8 million, after deducting underwriters' commissions and offering costs.

In January 2010, Main Street completed a public stock offering of 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$14.75 per share, resulting in total net proceeds of approximately \$40.1 million, after deducting underwriters' commissions and offering costs.

**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. Main Street has the option to satisfy the share requirements of the DRIP through the issuance of 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 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 by the DRIP.



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

plan administrator, 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 the year ended December 31, 2011, \$10.5 million of the total \$34.9 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 348,695 newly issued shares and with the purchase of 217,407 shares of common stock in the open market. For the year ended December 31, 2010, \$8.2 million of the total \$23.9 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 478,731 newly issued shares and with the purchase of 35,572 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 will amortize this fair value to share-based compensation expense over the requisite service period or vesting term.

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 vest over a four-year period from the grant date and are expensed over the four-year service period starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors and the remaining shares of restricted stock available for issuance as of December 31, 2011:

Restricted stock authorized under the plan	2,000,000
Less restricted stock granted on:	
July 1, 2008	(245,645)
July 1, 2009	(99,312)
July 1, 2010	(149,357)
June 20, 2011	(117,728)
Restricted stock available for issuance as of December 31, 2011	1,387,958

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 vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over a one-year service period starting on the grant date:

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)
Restricted stock available for issuance as of December 31, 2011	155,326

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the years ended December 31, 2011, 2010, and 2009 Main Street recognized total share-based compensation expense of \$2.0 million, \$1.5 million, and \$1.1 million, respectively, related to the restricted stock issued to Main Street employees and independent directors.

As of December 31, 2011, there was \$4.2 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 2.7 years as of December 31, 2011.

**NOTE N COMMITMENTS**

At December 31, 2011, Main Street had a total of \$39.6 million in outstanding commitments comprised of (i) seven commitments to fund revolving loans that had not been fully drawn and (ii) two capital commitments that had not been fully called.

**NOTE O SUPPLEMENTAL CASH FLOW DISCLOSURES**

Listed below are the supplemental cash flow disclosures for the years ended December 31, 2011, 2010, and 2009:

	Year Ended December 31,		
	2011	2010	2009
Interest paid	\$ 12,066,829	\$ 7,805,750	\$ 3,415,200
Taxes paid	\$ 194,488	\$ 74,925	\$ 109,404
Non-cash financing activities:			
Shares issued in connection with the MSC II Exchange Offer	\$	\$ 20,093,091	\$
Shares issued pursuant to the DRIP	\$ 6,611,788	\$ 7,637,090	\$ 3,692,720

**NOTE P SELECTED QUARTERLY DATA (UNAUDITED)**

	2011			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 13,374,572	\$ 16,107,303	\$ 17,086,333	\$ 19,671,802
Net investment income	\$ 7,392,482	\$ 9,593,632	\$ 10,361,362	\$ 11,929,628
Net increase in net assets resulting from operations attributable to common stock	\$ 10,322,729	\$ 17,626,033	\$ 14,436,073	\$ 20,582,357
Net investment income per share-basic and diluted	\$ 0.38	\$ 0.41	\$ 0.44	\$ 0.45
Net increase in net assets resulting from operations attributable to common stock per share-basic and diluted	\$ 0.54	\$ 0.77	\$ 0.62	\$ 0.79

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Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	2010			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 7,092,839	\$ 8,732,219	\$ 9,005,955	\$ 11,676,894
Net investment income	\$ 3,220,253	\$ 4,742,088	\$ 4,757,564	\$ 6,540,747
Net increase in net assets resulting from operations attributable to common stock	\$ 9,056,545	\$ 8,872,666	\$ 10,943,302	\$ 9,871,351
Net investment income per share-basic and diluted	\$ 0.22	\$ 0.31	\$ 0.28	\$ 0.34
Net increase in net assets resulting from operations attributable to common stock per share-basic and diluted	\$ 0.63	\$ 0.59	\$ 0.65	\$ 0.53

**NOTE Q RELATED PARTY TRANSACTIONS**

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At December 31, 2011, the Investment Manager had a receivable of \$4.8 million with MSCC related to net cash expenses incurred by the Investment Manager required to support Main Street's business.

**NOTE R SUBSEQUENT EVENTS**

On January 5, 2012, Main Street fully exited its debt and equity investments in Currie Acquisitions, LLC ("Currie"). Main Street completed the exit of its debt and equity investments in Currie as part of a buyout of Currie by Accell Group, a Netherlands-based international conglomerate. Main Street exited its debt investment for the full principal amount of approximately \$4.8 million and recognized a realized loss of approximately \$1.2 million on its equity investment.

On February 17, 2012, MSCC acquired approximately 8.5% of the total dollar value of the MSC II limited partnership interests not owned by MSCC, including the approximately 5% held by affiliates of MSCC, in exchange for 170,203 shares of its common stock. Subsequent to the acquisition, an approximately 3.0% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding.

On February 29, 2012, Main Street completed the exit of its debt investment and a portion of its equity investments in Drilling Info, Inc. ("Drilling Info"), as part of an equity investment in Drilling Info by a group of leading private equity investment firms focused on the global software, Internet and data-services industries. As part of the exit, Main Street realized a gain of approximately \$9.2 million on the sale of its equity warrant participation and received the full repayment of the principal amount of \$8.0 million on its debt investment.

On March 6, 2012, Main Street declared monthly dividends for the second quarter of 2012 of \$0.14 per share for each of April, May and June 2012, or a total of \$0.42 per share. The second quarter 2012 dividends represent a 7.7% increase from the dividends declared for the second quarter of 2011 and a 3.7% increase compared to the first quarter of 2012. Including the dividends declared for the second quarter of 2012, Main Street will have paid \$7.14 per share in cumulative dividends since its October 2007 initial public offering.

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
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 referred to in our report dated March 9, 2012, which is included in the annual report on Form 10-K. Our audits of the basic financial statements include 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 financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Houston, Texas  
March 9, 2012

**MAIN STREET CAPITAL CORPORATION**  
**Schedule of Investments in and Advances to Affiliates**  
**Year ended December 31, 2011**

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2010 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2011 Value
<b>CONTROL INVESTMENTS</b>						
Café Brazil, LLC	12% Secured Debt	\$ 214,008	2,000,000	1,480	601,480	1,400,000
	Member Units	85,412	2,240,000	1,190,000		3,430,000
California Healthcare Medical Billing, Inc.	12% Secured Debt	1,049,099	6,985,748	1,774,591	230,000	8,530,339
	Warrants		3,380,333			3,380,333
	Common Stock	257	1,390,000	170,000		1,560,000
CBT Nuggets, LLC	14% Secured Debt	389,813	3,567,180	12,449	1,829,629	1,750,000
	Member Units	963,699	3,450,000	2,120,000		5,570,000
Ceres Management, LLC (Lambs)	14% Secured Debt	570,705	3,964,568	14,466	230,000	3,749,034
	Member Units	60,423	1,100,000	2,959,662	3,010,000	1,049,662
	Class B Member Units	90,634	1,508,611	901,056	2,409,667	
Condit Exhibits, LLC	9% Current/9% PIK Secured Debt	851,643	4,619,659	433,749	647,894	4,405,514
	Warrants		50,000	510,000		560,000
Currie Acquisitions, LLC	12% Secured Debt	718,675	3,971,699	778,301		4,750,000
	Warrants		2,340,204		2,240,204	100,000
Gulf Manufacturing, LLC	9% PIK Secured Debt	185,353	1,420,784		235,653	1,185,131
	8% Secured Debt	155,703	3,620,000		3,620,000	
	13% Secured Debt	180,759	1,675,165	60,403	1,735,568	
	Member Units	790,639	5,870,000	3,970,000		9,840,000
Harrison Hydra-Gen, Ltd.	12% Secured Debt	876,248	5,255,101	467,524	492,625	5,230,000
	Preferred Stock	81,111	1,000,000	81,110		1,081,110
	Warrants		717,640	1,522,360		2,240,000
Hawthorne Customs & Dispatch Services, LLC	Member Units	21,708	1,250,000	660,000	500,000	1,410,000
Hydratec, Inc.	Common Stock	697,276	9,177,911	3,159,000		12,336,911
Indianapolis Aviation Partners, LLC	12% Secured Debt	630,485	4,350,000	92,876	322,876	4,120,000
	Warrants		1,570,286	80,000		1,650,286
Jensen Jewelers of Idaho, LLC	Prime plus 2% Secured Debt	142,648	2,260,000	3,514	3,514	2,260,000
	13% Current/6% PIK Secured Debt	506,813	2,344,896	147,505	147,503	2,344,898
	Member Units	76,275	1,060,000	690,000		1,750,000
Lighting Unlimited, LLC	8% Secured Debt	115,300		2,494,145	510,098	1,984,047
	Preferred Stock			510,098		510,098

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	Common Stock			210,000		210,000
	Warrants					
Mid-Columbia Lumber Products, LLC	10% Secured Debt	126,736	1,250,000			1,250,000
	12% Secured Debt	560,946	3,900,000	96,336	326,336	3,670,000
	Warrants		740,000	150,000		890,000
	Member Units		770,000	160,000		930,000
NAPCO Precast, LLC	Prime plus 2% Secured Debt	453,637	3,384,615	7,304	16,016	3,375,903
	18% Secured Debt	967,615	5,923,077	31,643	812,764	5,141,956
	Member Units	6,000	4,340,000	955,000	1,100,000	4,195,000
NRI Clinical Research, LLC	14% Secured Debt	396,308		5,933,403	750,000	5,183,403
	Warrants			251,724		251,724
	Member Units			500,000		500,000
NRP Jones, LLC	12% Secured Debt	311,333		11,041,143		11,041,143
	Warrants			816,857		816,857
	Member Units			2,900,000		2,900,000
NTS Holdings, Inc.	12% Secured Debt	728,463	5,963,931	7,853	230,000	5,741,784
	Preferred Stock		10,635,273	1,282,978		11,918,251
	Common Stock	1,402,978	776,000	1,364,000		2,140,000



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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2010 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2011 Value
OMi Holdings, Inc.	12% Secured Debt	1,155,397	10,116,824	28,926	2,196,156	7,949,594
	Common Stock		500,000	1,770,000		2,270,000
Pegasus Research Group, LLC (Televerde)	13% Current/3% PIK Secured Debt	1,108,650		6,365,882	277,226	6,088,656
	Member Units			1,250,000		1,250,000
PPL RVs, Inc.	18% Secured Debt	1,001,662	6,165,058	84,942	2,015,474	4,234,526
	Member Units		2,150,000	1,830,000		3,980,000
Principle Environmental, LLC	12% Secured Debt	711,341		4,830,000	750,000	4,080,000
	12% Current/2% PIK Secured Debt	451,651		3,506,854		3,506,854
	Warrants			2,110,000		2,110,000
	Member Units	8,000		3,600,000		3,600,000
River Aggregates, LLC	12% Secured Debt	425,757		3,456,888	230,000	3,226,888
	Warrants			202,125	102,000	100,125
	Member Units			550,000	350,000	200,000
The MPI Group, LLC	4.5% Current/4.5% PIK Secured Debt	76,979	501,176	539,592		1,040,768
	6% Current/6% PIK Secured Debt	667,065	4,935,760	357,897		5,293,657
	Warrants		190,000		190,000	
	Member Units (Non-Voting)			200,000	200,000	
Thermal & Mechanical Equipment, LLC	Prime plus 2% Secured Debt	134,883	1,739,152	4,807	477,801	1,266,158
	13% Current/5% PIK Secured Debt	860,125	5,575,220	261,546	1,783,746	4,053,020
Uvalco Supply, LLC	Member Units	723,610	1,940,000	3,720,000		5,660,000
		432,203	1,560,000	1,730,000		3,290,000
VanGilder Insurance Corporation	8% Secured Debt	179,900		2,970,817	278,835	2,691,982
	13% Secured Debt	1,124,424		5,137,071	750,000	4,387,071
	Warrants			1,208,643		1,208,643
	Common Stock	3,000		2,499,876		2,499,876
Vision Interests, Inc.	6.5% Current/6.5% PIK Secured Debt	143,048	8,762,314	403,084	6,230,648	2,934,750
	Series A Preferred Stock	4,000		3,000,000		3,000,000
	Common Stock	6,000		3,333,570	3,333,570	
Ziegler's NYPD, LLC	Prime plus 2% Secured Debt	93,279	993,937	2,029		995,966
	13% Current/5% PIK Secured Debt	910,541	4,752,088	268,138	750,000	4,270,226
	Warrants		470,000		70,000	400,000
Other		421,144	4,422,184	735,000	155,617	5,001,567

Income from Control Investments disposed of during the year

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<b>Total</b>	<b>Control</b>	<b>\$ 25,051,361</b>	<b>\$ 174,596,394</b>	<b>\$ 106,470,217</b>	<b>\$ 42,142,900</b>	<b>\$ 238,923,711</b>
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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2010 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2011 Value
<b>AFFILIATE INVESTMENTS</b>						
American Sensor Technologies, Inc.	9% Secured Debt Warrants	\$ 331,204	\$ 3,514,113 1,830,000	\$ 26,844 1,270,000	\$ 501,975	\$ 3,038,982 3,100,000
Compact Power Equipment Centers, LLC	6% Current/6% PIK Secured Debt 8% PIK Secured Debt Series A Member Units Member Units	350,347 1,884 58,907	3,120,950  1,147	504,161 107,767 852,558	793,651	2,831,460 107,767 852,558 1,147
Drilling Info, Inc.	12% Secured Debt 8.75% Secured Debt Warrants Common Stock	1,205,710 50,999	7,770,000 4,010,000 1,710,325	232,377 750,000 3,180,000	2,377	8,000,000 750,000 10,360,000 4,890,325
East Teak Fine Hardwoods, Inc.	Common Stock	14,000	330,000	50,000		380,000
Gault Financial, LLC (RMB)	14% Secured Debt Warrants	279,321		9,896,904 400,000		9,896,904 400,000
Houston Plating & Coatings, LLC	Prime Plus 2% Member Units	7,810 583,750	300,000 3,025,000	2,965,000	300,000	5,990,000
Integrated Printing Solutions, LLC	13% Secured Debt Warrants	488,977		9,227,866 600,000		9,227,866 600,000
IRTH Holdings, LLC	12% Secured Debt Member Units	719,981	5,891,126 850,000	108,874 1,630,000	916,060	5,083,940 2,480,000
KBK Industries, LLC	10% Secured Debt 14% Secured Debt Member Units	28,930 748,920 409,711	514,940 5,241,999 1,790,333	8,001 1,009,667	500,000	14,940 5,250,000 2,800,000
Laurus Healthcare, LP	9% Secured Debt Class A and C Units	490,353 375,273	2,800,000 4,620,000	3,575,000 810,000	525,000	5,850,000 5,430,000
Lighting Unlimited, LLC	8% Secured Debt Preferred Stock Warrants Common Stock	144,059	2,669,924	9,522	2,679,446	
Merrick Systems, Inc.	13% Secured Debt Warrants	824,775	2,540,849 450,000	459,151 758,424	3,000,000 1,208,424	
Olympus Building Services, Inc.	10% Current/2% PIK Secured Debt 15% PIK Secured Debt Warrants	539,300 34,109	3,050,000 984,001 930,000	117,643 40,098	861,616 29,930 859,995	2,306,027 994,169 70,005
OnAsset Intelligence, Inc.	12% Secured Debt Preferred Stock Warrants	412,067 80,509		915,566 1,576,508 830,000		915,566 1,576,508 830,000
OPI International Ltd.	12% Secured Debt	1,579,342	8,789,573	2,570,427	230,000	11,130,000

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	Warrants		500,000	3,600,000		4,100,000
Radial Drilling Servcies Inc.	12% Secured Debt	105,621		3,366,573		3,366,573
	Warrants			758,448		758,448
Samba Holdings, Inc.	12.5% Secured Debt	77,589		2,940,714		2,940,714
	Common Stock			950,000		950,000
Schneider Sales Management, LLC	13% Secured Debt		1,000,000	200,000	950,000	250,000
	Warrants					
Spectrio LLC	8% Secured Debt			168,000		168,000
	12% Secured Debt	1,933,600	7,426,299	7,111,701	1,197,000	13,341,000
	Warrants		1,280,000	1,440,000		2,720,000

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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2010 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2011 Value
SYNEO, LLC	12% Secured Debt	476,558		5,404,685	30,882	5,373,803
	10% Secured Debt	104,553		1,411,754		1,411,754
	Member Units			1,000,000		1,000,000
Walden Smokey Point, Inc.	Common Stock	14,000	2,620,000	1,600,000		4,220,000
WorldCall, Inc.	13% Secured Debt	86,676	646,225			646,225
	Common Stock					
Other						
Income from Affiliate Investments disposed of during the year						
<b>Total Affiliate Investments</b>		<b>\$ 12,558,835</b>	<b>\$ 80,206,804</b>	<b>\$ 80,784,233</b>	<b>\$ 14,586,356</b>	<b>\$ 146,404,681</b>

This schedule should be read in conjunction with Main Street's Consolidated and Combined Financial Statements, including the Consolidated and Combined 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 and Combined 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 disposed of 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.

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**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

**Item 9A. *Controls and Procedures***

(a) *Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this annual report on Form 10-K, our Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer and Chief Accounting Officer conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934). Based upon this evaluation, our Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer and Chief Accounting Officer concluded that our disclosure controls and procedures are effective to allow timely decisions regarding required disclosure of any material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

(b) *Management's Report on Internal Control Over Financial Reporting.* The management of Main Street Capital Corporation and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Company's evaluation under the framework in Internal Control Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011. Grant Thornton, LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011, as stated in its report which is included herein.

(c) *Attestation Report of the Registered Public Accounting Firm.* Our independent registered public accounting firm, Grant Thornton LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting, which is set forth above under the heading "Report of Independent Registered Public Accounting Firm" in Item 8.

(d) *Changes in Internal Control over Financial Reporting.* There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) that occurred during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. *Other Information***

None.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item will be contained in the definitive proxy statement relating to our 2012 annual meeting of stockholders (the "Proxy Statement") under the headings "Election of Directors," "Corporate Governance," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," to be filed with the Securities and Exchange Commission on or prior to April 30, 2012, and is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to directors, officers and employees of Main Street. This code of ethics is published on our Web site at [www.mainstcapital.com](http://www.mainstcapital.com). We intend to disclose any future amendments to, or waivers from, this code of conduct within four business days of the waiver or amendment through a Web site posting.

**Item 11. Executive Compensation**

The information required by this Item will be contained in the Proxy Statement under the headings "Compensation of Executive Officers," "Compensation of Directors," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report," to be filed with the Securities and Exchange Commission on or prior to April 30, 2012, and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table provides information regarding our equity compensation plans as of December 31, 2011:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders		\$	1,543,603(1)
Equity compensation plans not approved by security holders			
<b>Total</b>		<b>\$</b>	<b>1,543,603</b>

- (1) All of our equity compensation plans have been approved by our stockholders. As of December 31, 2011, we had issued 656,716 shares of restricted stock pursuant to our equity compensation plans, of which 307,498 shares had vested and 319 shares were forfeited. Pursuant to each of our equity compensation plans, if any award issued thereunder shall for any reason expire or otherwise terminate or be forfeited, in whole or in part, the shares of stock not acquired under such award shall revert to and again become available for issuance under such plan.

The other information required by this Item will be contained in the Proxy Statement under the headings "Security Ownership of Certain Beneficial Owners and Management," to be filed with the Securities and Exchange Commission on or prior to April 30, 2012, and is incorporated herein by reference.

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**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item will be contained in the Proxy Statement under the headings "Certain Relationships and Related Transactions" and "Corporate Governance," to be filed with the Securities and Exchange Commission on or prior to April 30, 2012, and is incorporated herein by reference.

**Item 14. *Principal Accountant Fees and Services***

The information required by this Item will be contained in the Proxy Statement under the heading "Independent Registered Public Accounting Firm," to be filed with the Securities and Exchange Commission on or prior to April 30, 2012, and is incorporated herein by reference.



Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed or incorporated by reference as part of this Annual Report:

**1. Consolidated Financial Statements**

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>68</u>
<u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>	<u>70</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2011, 2010, and 2009</u>	<u>71</u>
<u>Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2011, 2010, and 2009</u>	<u>72</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010, and 2009</u>	<u>73</u>
<u>Consolidated Schedules of Investments as of December 31, 2011 and 2010</u>	<u>74</u>
<u>Notes to Consolidated Financial Statements</u>	<u>96</u>

**2. Consolidated Financial Statement Schedule**

Report of Independent Registered Public Accounting Firm

Schedule of Investments in and Advances to Affiliates for the Year Ended December 31, 2011

**3. Exhibits**

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

<b>Exhibit Number</b>	<b>Description</b>
3.1*	Articles of Amendment and Restatement of Main Street Capital Corporation (previously filed as Exhibit (a) to Main Street Capital Corporation's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
3.2*	Amended and Restated Bylaws of Main Street Capital Corporation (previously filed as Exhibit 99.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on May 2, 2008 (File No. 1-33723))
4.1*	Form of Common Stock Certificate (previously filed as Exhibit (d) to Main Street Capital Corporation's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
4.2*	Dividend Reinvestment Plan (previously filed as Exhibit 4.2 to Main Street Capital Corporation's Annual Report on Form 10-K for the year ended December 31, 2007 filed on March 21, 2008 (File No. 1-33723))
4.3*	Main Street Mezzanine Fund, LP SBIC debentures guaranteed by the SBA (previously filed as Exhibit (f)(1) to Main Street Capital Corporation's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 (Reg. No. 333-142879))
4.4*	Main Street Capital II, LP SBIC debentures guaranteed by the SBA (see Exhibit (f)(1) to Pre-Effective Amendment No. 1 to Form N-2 of Main Street Capital Corporation filed with the SEC on June 22, 2007 for a substantially identical copy of the form of debentures)
10.1*	Amended and Restated Credit Agreement dated September 20, 2010 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))
10.2*	Amended and Restated General Security Agreement dated September 20, 2010 (previously filed as Exhibit 10.2 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))

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<b>Exhibit Number</b>	<b>Description</b>
10.3*	Amended and Restated Custodial Agreement dated September 20, 2010 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))
10.4*	Amended and Restated Equity Pledge Agreement dated September 20, 2010 (previously filed as Exhibit 10.4 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))
10.5*	Supplement and Joinder Agreement dated January 7, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed January 10, 2011 (File No. 1-33723))
10.6*	First Amendment to Amended and Restated Credit Agreement dated June 28, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed June 29, 2011 (File No. 1-33723))
10.7*	Second Amendment and Waiver to Amended and Restated Credit Agreement dated July 29, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Quarterly Report on Form 10-Q filed November 4, 2011 (File No. 1-33723))
10.8*	Third Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Custodial Agreement dated November 21, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed November 22, 2011 (File No. 1-33723))
10.9*	Supplement and Joinder Agreement to Amended and Restated Credit Agreement dated December 30, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed December 30, 2011 (File No. 1-33723))
10.10*	Investment Management/Advisory Agreement by and between Main Street Capital Partners, LLC, Main Street Capital II, LP and Main Street Capital II GP, LLC (previously filed as Exhibit (g)(2) to Main Street Capital Corporation's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 (Reg. No. 333-142879))
10.11*	Main Street Capital Corporation 2008 Equity Incentive Plan (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed on August 7, 2009 (File No. 1-33723))
10.12*	Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan (previously filed as Exhibit 4.5 to Main Street Capital Corporation's Registration Statement on Form S-8 filed on June 20, 2008 (Reg. No. 333-151799))
10.13*	Custodian Agreement (previously filed as Exhibit (j) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.14*	Form of Confidentiality and Non-Compete Agreement by and between Main Street Capital Corporation and Vincent D. Foster (previously filed as Exhibit (k)(12) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.15*	Form of Indemnification Agreement by and between Main Street Capital Corporation and each executive officer and director (previously filed as Exhibit (k)(13) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.16*	Support Services Agreement effective as of October 2, 2007 by and between Main Street Capital Corporation and Main Street Capital Partners, LLC (previously filed as Exhibit (k)(16) to Main Street Capital Corporation's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on January 30, 2009 (Reg. No. 333-155806))
14.1*	Code of Ethics (previously filed as Exhibit (r) to Main Street Capital Corporation's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
21.1	List of Subsidiaries

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<b>Exhibit Number</b>	<b>Description</b>
23	Consent of Grant Thornton, LLP, independent registered public accounting firm
31.1	Rule 13a - 14(a)/15d - 14(a) certification of Chief Executive Officer
31.2	Rule 13a - 14(a)/15d - 14(a) certification of Chief Financial Officer
32.1	Section 1350 certification of Chief Executive Officer
32.2	Section 1350 certification of Chief Financial Officer

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\*

Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.

Management contract or compensatory plan or arrangement.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MAIN STREET CAPITAL CORPORATION**

**By:** /s/ VINCENT D. FOSTER

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**Vincent D. Foster**  
**Chairman and Chief Executive Officer**

Date: March 9, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ VINCENT D. FOSTER</u> Vincent D. Foster	Chairman and Chief Executive Officer (principal executive officer)	March 9, 2012
<u>/s/ TODD A. REPPERT</u> Todd A. Reppert	President	March 9, 2012
<u>/s/ DWAYNE L. HYZAK</u> Dwayne L. Hyzak	Chief Financial Officer, Senior Managing Director (principal financial officer)	March 9, 2012
<u>/s/ MICHAEL S. GALVAN</u> Michael S. Galvan	Vice President, Chief Accounting Officer (principal accounting officer)	March 9, 2012
<u>/s/ JOSEPH E. CANON</u> Joseph E. Canon	Director	March 9, 2012
<u>/s/ MICHAEL APPLING JR.</u> Michael Appling Jr.	Director	March 9, 2012
<u>/s/ ARTHUR L. FRENCH</u> Arthur L. French	Director	March 9, 2012
<u>/s/ J. KEVIN GRIFFIN</u> J. Kevin Griffin	Director	March 9, 2012

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
21.1	List of Subsidiaries
23	Consent of Grant Thornton LLP, independent registered public accounting firm
31.1	Rule 13a - 14(a)/15d - 14(a) certification of Chief Executive Officer
31.2	Rule 13a - 14(a)/15d - 14(a) certification of Chief Financial Officer
32.1	Section 1350 certification of Chief Executive Officer
32.2	Section 1350 certification of Chief Financial Officer

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