SOCKET MOBILE, INC.
Form 8-K
November 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 5, 2012

Date of Report

(Date of earliest event reported)

SOCKET MOBILE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-13810**	94-3155066
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

39700 Eureka Drive

Newark, CA 94560

(Address of principal executive offices, including zip code)

(510) 933-3000

(Registrant’s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement

On November 5, 2012, the Company's Board of Directors approved the issue of up to $350,000 in convertible subordinated notes to its Chairman to be used for working capital purposes. The notes will be issued from time to time as funds are needed by the Company.

The notes are identical to the Notes issued on August 1, 2012 as reported on a Current Report on Form 8-K on August 3, 2012. The notes are two-year notes ("Notes") that accrue interest at 8% and mature on August 1, 2014. Accrued interest is payable upon redemption. The notes and accrued interest may be redeemed after six months. The notes are convertible into common stock at the option of the holder at $2.44 per share as long as warrants previously issued to Hudson Bay Capital Master Fund are outstanding, or at the fair market value per share at the time each note is issued if the Hudson Bay Warrants are no longer outstanding. The Hudson Bay Capital Master Fund warrants expire on May 20, 2016. The Notes are secured by all of the assets of the Company and are subordinated to amounts outstanding under the Company's working capital bank line of credit with Silicon Valley Bank.

The foregoing description of the Notes does not purport to be complete and is qualified in its entirety by reference to the full text of the Form of the Convertible Subordinated Note, a copy of which is attached hereto as Exhibit 10.1, and incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On November 6, 2012, Socket Mobile, Inc. issued a press release reporting its results for the three and nine months ended September 30, 2012. A copy of the press release is furnished as Exhibit 99.1.

Item 3.02 Unregistered Sales of Equity Securities

The information set forth in Item 1.01 of this Current Report on Form 8-K that relates to the future unregistered sale of equity securities is incorporated by reference into this Item 3.02.

Securities to be issued upon conversion of the Notes into common stock will not be registered under the Securities Act. The securities issuable upon conversion of the Notes are being sold to accredited investors in reliance upon exemptions from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. These securities may not be offered or sold in the United States absent registration under, or an exemption from, the Securities Act and any applicable state securities laws.

Item 8.01 Other Events

On November 5, 2012, the Company's Board of Directors approved, as one of a number of cost saving measures, the transfer of the Company's listing on the OTCQX tier of the OTC Markets to the OTCQB tier of the OTC Markets. The Company also issued a letter addressed to its customers, vendors, developers and valued employees requesting their continued support. A copy of the letter is furnished as Exhibit 99.2.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
10.1	Form of Convertible Subordinated Note
99.1	Press release dated November 6, 2012
99.2	Letter to customers, vendors, developers and valued employees

SIGNATURES

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

SOCKET MOBILE, INC.

By: /s/ David W. Dunlap
Name: David W. Dunlap

Vice President, Finance and Administration and Chief Financial Officer

Date: November 6, 2012

EXHIBIT INDEX

Exhibit No.	Description
10.1	Form of Convertible Subordinated Note
99.1	Press release dated November 6, 2012
99.2	Letter to customers, vendors, developers and valued employees

bsp; 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

Condit Exhibits, LLC

Tradeshow Exhibits/

9% Current / 9% PIK Secured Debt (Maturity July 1, 2013)

Custom Displays 4,430,948 4,405,514 4,405,514

Warrants (Fully diluted 47.9%)

320,000 560,000

4,725,514 4,965,514

Currie Acquisitions, LLC

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

Gulf Manufacturing, LLC

Industrial Metal

9% PIK Secured Debt (Maturity June 30, 2017)

Fabrication 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

Harrison Hydra-Gen, Ltd.

Manufacturer of

12% Secured Debt (Maturity June 4, 2015)

Hydraulic Generators 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

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
Hawthorne Customs & Dispatch Services, LLC	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
Hydratec, Inc.	Agricultural Services			
Common Stock (Fully diluted 92.5%)(7)			7,091,911	12,336,911
Indianapolis Aviation Partners, LLC	Fixed Base Operator			
12% Secured Debt (Maturity September 15, 2014)		4,270,000	4,003,131	4,120,000
Warrants (Fully diluted 30.1%)			1,129,286	1,650,286
			5,132,417	5,770,286
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity November 14, 2013)(8)		2,260,000	2,260,000	2,260,000
13% Current / 6% PIK Secured Debt (Maturity November 14, 2013)		2,344,898	2,344,898	2,344,898
Member Units (Fully diluted 60.8%)(7)			811,000	1,750,000
			5,415,898	6,354,898
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services			
8% Secured Debt (Maturity August 22, 2012)		2,000,000	1,984,047	1,984,047
Preferred Stock (non-voting)			510,098	510,098
Warrants (Fully diluted 7.1%)			54,000	
Common Stock (Fully diluted 70.0%)			100,000	210,000
			2,648,145	2,704,145
Mid-Columbia Lumber Products, LLC	Specialized Lumber Products			
10% Secured Debt (Maturity December 18, 2014)		1,250,000	1,250,000	1,250,000
12% Secured Debt (Maturity December 18, 2014)		3,670,000	3,670,000	3,670,000
9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)		1,062,200	1,062,200	1,062,200
Warrants (Fully diluted 9.2%)			250,000	890,000
Member Units (Fully diluted 42.9%)			812,000	930,000
Member Units (Mid-Columbia Real Estate, LLC) (Fully diluted 50.0%)(7)			250,000	810,000
			7,294,200	8,612,200
NAPCO Precast, LLC	Precast Concrete Manufacturing			
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,375,903	3,375,903
18% Secured Debt (Maturity February 1, 2013)		5,173,077	5,141,956	5,141,956
Member Units (Fully diluted 46.3%)(7)			2,975,000	4,195,000
			11,492,859	12,712,859
NRI Clinical Research, LLC	Clinical Research			
14% Secured Debt (Maturity September 8, 2016)		5,500,000	5,183,403	5,183,403
Warrants (Fully diluted 12.5%)			251,724	251,724
Member Units (Fully diluted 24.8%)			500,000	500,000
			5,935,127	5,935,127

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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
NRP Jones, LLC	Manufacturer of Hoses,			
12% Secured Debt (Maturity December 22, 2016)	Fittings and Assemblies	12,100,000	11,041,143	11,041,143
Warrants (Fully diluted 12.2%)			816,857	816,857
Member Units (Fully diluted 43.2%)			2,900,000	2,900,000
			14,758,000	14,758,000
NTS Holdings, Inc.	Trench & Traffic Safety			
12% Secured Debt (Maturity April 30, 2015)	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
OMi Holdings, Inc.	Manufacturer of Overhead			
12% Secured Debt (Maturity April 1, 2013)	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
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data			
13% Current / 3% PIK Secured Debt (Maturity January 6, 2016)	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
PPL RVs, Inc.	Recreational Vehicle			
18% Secured Debt (Maturity June 10, 2015)	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
Principle Environmental, LLC	Noise Abatement Services			
12% Secured Debt (Maturity February 1, 2016)		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
River Aggregates, LLC	Processor of Construction			
12% Secured Debt (Maturity March 30, 2016)	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
The MPI Group, LLC	Manufacturer of Custom			
4.5% Current / 4.5% PIK Secured Debt	Hollow Metal Doors,			
(Maturity October 2, 2013)	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

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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
Thermal & Mechanical Equipment, LLC	Commercial and Industrial			
Prime Plus 2%, Current Coupon 9%, Secured	Engineering Services			
Debt (Maturity September 25, 2014)(8)		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
			6,276,394	10,979,178
Uvalco Supply, LLC	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%)(7)			1,113,243	3,290,000
Van Gilder Insurance Corporation	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
Vision Interests, Inc.	Manufacturer/Installer of			
6.5% Current /6.5% PIK Secured Debt (Maturity December 23, 2016)	Commercial Signage	3,000,000	2,934,750	2,934,750
Series A Prefered 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
Ziegler's NYPD, LLC	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
Subtotal Control Investments (34.9% of total investments at fair value)			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
Affiliate Investments(4)				
American Sensor Technologies, Inc.	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
Compact Power Equipment Centers LLC	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
Drilling Info, Inc.	Information Services for			
12% Secured Debt (Maturity November 20, 2014)	the Oil and Gas Industry	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
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	380,000
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages			
14% Secured Debt (Maturity November 21, 2016)	Liquidation of Distressed Assets	10,500,000	9,896,904	9,896,904
Warrants (Fully diluted 22.5%)			400,000	400,000
			10,296,904	10,296,904
Houston Plating & Coatings, LLC	Plating & Industrial			
Member Units (Fully diluted 11.1%)(7)	Coating Services		635,000	5,990,000
			635,000	5,990,000
Integrated Printing Solutions, LLC	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
IRTH Holdings, LLC	Utility Technology			
12% Secured Debt (Maturity December 29, 2015)	Services	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
KBK Industries, LLC	Specialty Manufacturer of			
10% Secured Debt (Maturity March 31, 2012)	Oilfield and Industrial Products	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

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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
Laurus Healthcare, LP	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
			5,929,505	11,280,000
Olympus Building Services, Inc.	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
OnAsset Intelligence, Inc.	Transportation Monitoring/			
12% Secured Debt (Maturity October 18, 2012)	Tracking Services	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
OPI International Ltd.	Oil and Gas Construction			
12% Secured Debt (Maturity November 30, 2015)	Services	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
Radial Drilling Services Inc.	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
Samba Holdings, Inc.	Vechicle Compliance			
12.5% Secured Debt (Maturity November 17, 2016)	Software & Services	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
Schneider Sales Management, LLC	Sales Consulting and			
13% Secured Debt (Maturity October 15, 2013)	Training	3,567,542	3,489,127	250,000
Warrants (Fully diluted 20.0%)			45,000	
			3,534,127	250,000
Spectrio LLC	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
SYNEO, LLC	Manufacturer of Specialty			
12% Secured Debt (Maturity July 13, 2016)	Cutting Tools and Punches	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
Walden Smokey Point, Inc.	Specialty Transportation			
Common Stock (Fully diluted 12.6%)			1,426,667	4,220,000

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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
WorldCall, Inc.	Telecommunication/			
13% Secured Debt (Maturity April 22, 2012)	Information Services	646,225	646,225	646,225
Common Stock (Fully diluted 10.0%)			296,631	
			942,856	646,225
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
Non-Control/Non-Affiliate Investments(5)				
Affinity Videonet, Inc.	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
Arrowhead General Insurance Agency, Inc.(9)	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
Business Development Corporation of America	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
Bourland & Leverich Supply Co., LLC(9)	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
Brand Connections, LLC	Venue-Based Marketing and Media			
14% Secured Debt (Maturity April 30, 2015)		6,761,443	6,638,862	6,638,862
CHI Overhead Doors, Inc.(9)	Manufacturer of Overhead Garage Doors			
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity August 17, 2017)(8)		2,493,750	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
Diversified Machine(9)	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
EnCap Energy Capital Fund VIII, L.P.(9)	Oil & Gas Investment Management			
LP Interests (Fully diluted 0.2%)			708,747	708,747
Fairway Group Acquisition(9)	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
Fram Group Holdings, Inc.(9)	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
Flexera Software(9)	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
Golden Nugget, LLC(9)	Hotel and Gaming			
LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity May 24, 2016)(8)		10,000,000	9,636,156	9,450,000
Gundle/SLT Environmental, Inc.(9)	Manufacturer of Geosynthetic Lining Products			
LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 27, 2016)(8)		2,985,000	2,958,103	2,940,225
LIBOR Plus 9.50%, Current Coupon 13.00%, Secured Debt (Maturity November 23, 2016)(8)		4,000,000	3,925,962	3,980,000
			6,884,065	6,920,225
Hayden Acquisition, LLC	Manufacturer of Utility Structures			
8% Secured Debt (Maturity January 1, 2012)		1,800,000	1,781,303	
HMS Income LLC	Investment Management			
LIBOR plus 3.00%, Current Coupon 3.27%, Secured Debt (Maturity December 12, 2012)		7,500,000	7,500,000	7,500,000
Kadmon Pharmaceuticals(9)	Biopharmaceutical Products			
LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity October 31, 2012)(8)		6,000,000	5,898,563	6,255,000
Liqui-Box (9)	Specialty Packaging			
LIBOR plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity December 29, 2017)(8)		3,000,000	2,955,000	2,985,000
Media Holdings, LLC(9)	Internet Traffic Generator			
LIBOR plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity April 28, 2014)(8)		5,000,000	5,129,078	5,000,000
Megapath, Inc.(9)	Communiations Technology			
LIBOR plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity November 3, 2015)(8)		3,600,000	3,541,327	3,546,000
Metropolitan Health(9)	Healthcare Network Provider			
LIBOR plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity October 4, 2016)(8)		2,000,000	1,971,229	1,940,000
LIBOR plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity October 4, 2017)(8)		3,250,000	3,186,561	3,185,000
			5,157,790	5,125,000
Milk Specialties(9)	Nutrition Products			
LIBOR plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity December 27, 2017)(8)		4,000,000	3,880,000	3,900,000
LIBOR plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity December 27, 2018)(8)		1,000,000	960,000	965,000
			4,840,000	4,865,000
Miramax Film NY, LLC(9)	Motion Picture Producer and Distributor			
Class B Units (Fully diluted 0.2%)			500,000	500,000

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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
National Healing(9)	Wound Care Management			
LIBOR plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity November 30, 2017)(8)		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
Northland Cable Television, Inc.(9)	Television Broadcasting			
LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity December 30, 2016)(8)		4,950,000	4,823,427	4,801,500
Physician Oncology Services, L.P.(9)	Healthcare Services			
LIBOR plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity January 31, 2017)(8)		941,962	933,702	904,284
Pierre Foods, Inc.(9)	Foodservice Supplier			
LIBOR plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity September 30, 2016)(8)		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
Preferred Sands(9)	Producer of Sand Based Proppants			
LIBOR plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity December 15, 2016)(8)		5,000,000	4,876,663	4,887,500
Shearer's Foods, Inc.(9)	Manufacturer of Food/ Snacks			
12.00% current / 3.75% PIK Secured Debt (Maturity March 31, 2016)		4,262,307	4,179,069	4,091,815
Sourcehov LLC(9)	Business Process Services			
LIBOR plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity April 28, 2017)(8)		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
The Tennis Channel, Inc.	Television-Based Sports Broadcasting			
LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity January 1, 2013)(8)		10,610,008	11,450,362	11,450,362
Warrants (Fully diluted 0.1%)			235,467	235,467
			11,685,829	11,685,829
Ulterra Drilling Technologies, L.P.(9)	Oil & Gas Drilling			
LIBOR plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(8)		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

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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
UniTek Global Services, Inc.(9)	Engineering and Construction Management Services			
LIBOR plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity April 15, 2018)(8)		6,433,794	6,255,641	6,305,118
Vision Solutions, Inc.(9)	Computer Software			
LIBOR plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(8)		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
Walter Investment Management Corp.(9)	Real Estate			
LIBOR plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(8)		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
Willis Group, LLC	Staffing and Recruitment Services			
12% Current / 3% PIK Secured Debt (Maturity December 19, 2014)		9,000,000	8,823,674	8,823,674
Subtotal Non-Control/Non-Affiliate Investments (25.8% of total investments at fair value)			178,858,890	176,681,819
Main Street Capital Partners, LLC (Investment Manager) (0.3% of total investments at fair value)	Asset Management			
100% of Membership Interests			4,284,042	1,869,242
Total Portfolio Investments, December 31, 2011			$ 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
Marketable Securities and Idle Funds Investments				
Academy, Ltd.	Investments in Secured and			
LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity August 3, 2018)(8)	Rated Debt Investments and Diversified Bond Funds	$ 3,000,000	$ 2,988,534	$ 2,976,660
A. M. Castle & Co.				
12.75% Bond (Maturity December 15, 2016)		3,000,000	2,895,682	3,015,000
API Technologies				
LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 27, 2016)(8)		2,486,397	2,405,965	2,374,509
ATI Acquisition I Corp.				
LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity March 11, 2016)(8)		2,848,889	2,811,543	2,725,447
Brickman Group Holdings, Inc.				
LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity October 14, 2016)(8)		1,989,950	1,962,059	1,997,437
Carestream Health, Inc.				
LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity February 25, 2017)(8)		2,984,523	2,704,461	2,690,473
Centerplate, Inc.				
LIBOR Plus 8.50%, Current Coupon 10.50%, Secured Debt (Maturity September 16, 2016)(8)		2,970,000	2,896,195	2,966,288
Fairfield Redevelopment Bond				
9.50% Bond (Maturity March 1, 2021)		3,085,000	3,131,800	3,254,367
General Motors Company				
Preferred stock (0.59% cumulative)(7)			255,000	174,675
Helm Financial Corporation				
LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity June 1, 2017)(8)		1,985,000	1,966,715	1,940,338
Henniges Automotive Holdings, Inc.				
LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity October 28, 2016)(8)		2,833,333	2,784,529	2,784,529
HOA Restaurant Group				
11.25% Bond (Maturity April 1, 2017)		2,000,000	2,000,000	1,865,000
Il Fornaio Corporation				
LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity June 10, 2017)(8)		1,985,000	1,975,865	1,978,380
Industry Bond				
8.00% Bond (Maturity January 1, 2020)		3,500,000	3,668,305	3,763,200
Ipreo Holdings LLC				
LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity August 5, 2017)(8)		4,239,375	4,160,249	4,143,989
Ivy Hill Middle Market Credit Fund III, Ltd.				
LIBOR Plus 6.50%, Current Coupon 6.77%, Secured Debt (Maturity January 15, 2022)		2,000,000	1,659,188	1,658,000

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

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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
Surgery Center Holdings, Inc.				
LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 6, 2017)(8)		4,962,500	4,940,029	4,627,532
Toll Road Bond				
Zero Coupon Bond (Maturity February 15, 2033)		7,500,000	1,619,657	1,940,250
Totes Isotoner Corporation				
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(8)		4,976,172	4,883,062	4,839,328
United Refining Company				
10.50% Bond (Maturity February 28, 2017)		3,990,000	3,965,830	3,730,650
VFH Parent LLC				
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity July 8, 2016)(8)		4,179,703	4,102,916	4,195,398
Visant Corporation				
LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(8)		3,997,651	3,997,651	3,759,930
Wyle Services Corporation				
LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity March 26, 2017)(8)		3,735,267	3,714,898	3,657,442
Yankee Cable Acquisition, LLC				
LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity August 26, 2016)(8)		3,950,000	3,902,200	3,899,578
Subtotal Marketable Securities and Idle Funds Investments (17.6% of total investments at fair value)			122,136,830	120,455,599
Total Investments, December 31, 2011			$ 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

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Control Investments(3)				
Café Brazil, LLC	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
California Healthcare Medical Billing, Inc.	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
CBT Nuggets, LLC	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
Ceres Management, LLC (Lambs)	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
Condit Exhibits, LLC	Tradeshow 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
Currie Acquisitions, LLC	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
Gulf Manufacturing, LLC	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
Harrison Hydra-Gen, Ltd.	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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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
Hawthorne Customs & Dispatch Services, LLC	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
Hydratec, Inc.	Agricultural Services			
Common Stock (Fully diluted 92.5%)(7)			7,087,911	9,177,911
Indianapolis Aviation Partners, LLC	FBO / Aviation			
12% Secured Debt (Maturity September 15, 2014)	Support Services	4,500,000	4,140,255	4,350,000
Warrants (Fully diluted 30.1%)			1,129,286	1,570,286
			5,269,541	5,920,286
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		2,260,000	2,256,486	2,260,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		2,344,897	2,340,040	2,344,896
Member Units (Fully diluted 60.8%)(7)			811,000	1,060,000
			5,407,526	5,664,896
Mid-Columbia Lumber Products, LLC	Specialized Lumber			
10% Secured Debt (Maturity April 1, 2012)	Products	1,250,000	1,250,000	1,250,000
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,803,664	3,900,000
9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)		1,107,400	1,107,400	1,107,400
Warrants (Fully diluted 25.5%)			250,000	740,000
Member Units (Fully diluted 26.7%)			500,000	770,000
Member Units (Mid-Columbia Real Estate, LLC) (Fully diluted 50.0%)			250,000	250,000
			7,161,064	8,017,400
NAPCO Precast, LLC	Precast Concrete			
18% Secured Debt (Maturity February 1, 2013)	Manufacturing	5,923,077	5,860,313	5,923,077
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,368,600	3,384,615
Member Units (Fully diluted 35.3%)(7)			2,020,000	4,340,000
			11,248,913	13,647,692
NTS Holdings, Inc.	Trench & Traffic Safety			
12% Secured Debt (Maturity April 30, 2015)	Equipment	6,000,000	5,963,931	5,963,931
Preferred stock (12% cumulative, compounded quarterly)(7)			10,635,273	10,635,273
Common Stock (Fully diluted 72.3%)			1,621,255	776,000
			18,220,459	17,375,204
OMi Holdings, Inc.	Manufacturer of Overhead			
12% Secured Debt (Maturity April 1, 2013)	Cranes	10,170,000	10,116,824	10,116,824
Common Stock (Fully diluted 48.0%)			1,080,000	500,000
			11,196,824	10,616,824
PPL RVs, Inc.	RV Aftermarket			
18% Secured Debt (Maturity June 10, 2015)	Consignment/Parts	6,250,000	6,165,058	6,165,058
Common Stock (Fully diluted 50.1%)			2,150,000	2,150,000
			8,315,058	8,315,058

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
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories			
4.5% current / 4.5% PIK Secured Debt (Maturity October 2, 2013)		507,625	501,176	501,176
6% current / 6% PIK Secured Debt (Maturity October 2, 2013)		5,101,667	4,935,760	4,935,760
Warrants (Fully diluted 47.1%)			895,943	190,000
			6,332,879	5,626,936
Thermal & Mechanical Equipment, LLC	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
Uvalco Supply, LLC	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%)(7)			1,113,243	1,560,000
Vision Interests, Inc.	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
Ziegler's NYPD, LLC	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
Subtotal Control Investments			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
Affiliate Investments(4)				
American Sensor Technologies, Inc.	Manufacturer of Commercial/Industrial Sensors			
9% current / 2% PIK Secured Debt (Maturity May 31, 2012)		3,536,182	3,514,113	3,514,113
Warrants (Fully diluted 19.6%)			49,990	1,830,000
			3,564,103	5,344,113
Audio Messaging Solutions, LLC	Audio Messaging Services			
12% Secured Debt (Maturity May 8, 2014)		7,700,000	7,356,395	7,426,299
Warrants (Fully diluted 8.4%)			468,373	1,280,000
			7,824,768	8,706,299
Compact Power Equipment Centers, LLC	Light to Medium Duty Equipment Rental			
6% Current / 6% PIK Secured Debt (Maturity September 23, 2014)		3,153,971	3,120,950	3,120,950
Member Units (Fully diluted 11.5%)			1,147	1,147
			3,122,097	3,122,097
DrillingInfo, Inc.	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity November 20, 2014)		8,000,000	6,832,370	7,770,000
Warrants (Fully diluted 5.0%)			1,250,000	4,010,000
Common Stock (Fully diluted 2.1%)			1,085,325	1,710,325
			9,167,695	13,490,325
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	330,000
Houston Plating & Coatings, LLC	Plating & Industrial Coating Services			
Prime plus 2% Debt (Maturity July 18, 2013)		300,000	300,000	300,000
Member Units (Fully diluted 11.1%)(7)			335,000	3,025,000
			635,000	3,325,000
IRTH Holdings, LLC	Utility Technology Services			
12% Secured Debt (Maturity December 29, 2015)		6,000,000	5,891,126	5,891,126
Member Units (Fully diluted 22.3%)			850,000	850,000
			6,741,126	6,741,126
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products			
10% Secured Debt (Maturity March 31, 2011)		514,940	514,940	514,940
14% Secured Debt (Maturity January 23, 2011)		5,250,000	5,241,999	5,241,999
Member Units (Fully diluted 18.8%)(7)			340,833	1,790,333
			6,097,772	7,547,272
Laurus Healthcare, LP	Healthcare Facilities / Services			
13% Secured Debt (Maturity May 7, 2012)		2,275,000	2,275,000	2,275,000
13% Secured Debt (Maturity December 31, 2011)		525,000	525,000	525,000
Warrants (Fully diluted 13.1%)			79,505	4,620,000
			2,879,505	7,420,000

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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
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(8)		949,996	946,598	946,598
14% Secured Debt (Maturity August 22, 2012)		1,760,101	1,723,326	1,723,326
Warrants (Fully diluted 17.0%)			54,000	
			2,723,924	2,669,924
Merrick Systems, Inc.	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
Olympus Building Services, Inc.	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
OPI International Ltd.	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
Schneider Sales Management, LLC	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
Walden Smokey Point, Inc.	Specialty Transportation			
Common Stock (Fully diluted 12.6%)			1,426,667	2,620,000
WorldCall, Inc.	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
Subtotal Affiliate Investments			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
Non-Control/Non-Affiliate Investments(5)				
Affinity Videonet, Inc.	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
Alon Refining Krotz Springs, Inc.(9)	Petroleum Products/			
13.5% Secured Debt (Maturity October 15, 2014)	Refining	4,000,000	3,832,366	3,900,000
Bourland & Leverich Supply Co., LLC(9)	Distributor of Oil & Gas			
LIBOR Plus 8.0%, Current Coupon 11.25%, Secured	Tubular Goods			
Debt (Maturity August 24, 2015)(8)		4,443,750	4,236,574	4,554,847
Brand Connections, LLC	Venue-Based Marketing			
14% Secured Debt (Maturity April 30, 2015)	and Media	7,312,500	7,151,303	7,151,303
Chef's Warehouse(9)	Specialty Food			
LIBOR Plus 9.0%, Current Coupon 11%, Secured Debt	Distributor			
(Maturity April 24, 2014)(8)		8,137,083	7,907,586	8,219,225
Fairway Group Acquisition(9)	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
Full Spectrum Holdings LLC(9)	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
Global Tel*Link Corporation(9)	Communications			
LIBOR Plus 11.25%, Current Coupon 13%, Secured	Technology			
Debt (Maturity May 10, 2017)(8)		3,000,000	2,941,728	2,948,271
Hayden Acquisition, LLC	Manufacturer of Utility			
8% Secured Debt (Maturity January 1, 2011)	Structures	1,800,000	1,781,303	250,000
Hoffmaster Group, Inc.(9)	Manufacturer of Specialty			
LIBOR Plus 5.0%, Current Coupon 7%, Secured Debt	Tabletop Products			
(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
Managed Healthcare(9)	Healthcare Products			
LIBOR plus 3.25% Secured Debt (Maturity August 31, 2014)		1,987,606	1,548,214	1,659,650

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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
Megapath Inc.(9)	Communications Technology			
LIBOR plus 10%, Current Coupon 12%, Secured Debt (Maturity November 4, 2015)(8)		4,000,000	3,922,670	4,040,770
Miramax Film NY, LLC(9)	Motion Picture Producer and Distributor			
LIBOR plus 6%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(8)		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
Northland Cable Television, Inc.(9)	Cable Broadcasting			
LIBOR Plus 8.0% Secured Debt (Maturity June 22, 2013)		5,000,000	4,851,285	4,988,785
Pierre Foods, Inc.(9)	Foodservice Supplier			
Base plus 4.25%, Current Coupon 7.5%, Secured Debt (Maturity September 30, 2016)(8)		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
Rentech Energy Midwest Corporation(9)	Manufacturer of Fertilizer			
LIBOR plus 10%, Current Coupon 12.5%, Secured Debt (Maturity July 29, 2014)(8)		2,331,606	2,274,262	2,274,262
Shearer's Foods, Inc.(9)	Manufacturer of Food/ Snacks			
12% Current / 3% PIK Secured Debt (Maturity March 21, 2016)		4,092,707	3,999,396	4,154,098
Standard Steel, LLC(9)	Manufacturer of Steel Wheels and Axles			
12% Secured Debt (Maturity April 30, 2015)		3,000,000	2,902,821	2,988,750
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		576,600	576,600	576,600
Technical Innovations, LLC	Manufacturer of Specialty Cutting Tools and Punches			
13.5% Secured Debt (Maturity January 16, 2015)		2,950,000	2,919,118	2,950,000
The Tennis Channel, Inc.	Sports Broadcasting/ Media			
LIBOR plus 6% / 4% PIK, Current Coupon 10% / 4% PIK, Secured Debt (Maturity January 1, 2013)(8)		9,198,840	9,230,938	9,230,938
Warrants (Fully diluted 0.10%)			211,938	211,938
			9,442,876	9,442,876
Other Non-Control/Non-Affiliate Investments(10)			105,000	105,000
Subtotal Non-Control/Non-Affiliate Investments			91,911,304	91,956,221
Main Street Capital Partners, LLC (Investment Manager)	Asset Management			

100% of Membership Interests	4,284,042	2,051,655
Total Portfolio Investments, December 31, 2010	$ 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
Marketable Securities and Idle Funds Investments				
AL Gulf Coast Terminals, LLC 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
Aspen Dental Management, Inc. LIBOR plus 5.0%, Current Coupon 8.25%, Secured Debt (Maturity October 13, 2016)(8)		4,987,500	4,691,670	4,806,974
ATI Acquisition I Corp. LIBOR plus 5.5%, Current Coupon 7.5%, Secured Debt (Maturity September 14, 2016)(8)		2,885,675	2,841,517	2,857,332
Booz Allen Hamilton Inc. 13% Debt (Maturity July 5, 2016)		1,716,044	1,781,625	1,765,380
Centerplate, Inc. LIBOR plus 7.5% Secured Debt (Maturity September 16, 2016)		3,000,000	2,914,206	2,988,750
CHG Companies, Inc. LIBOR plus 5.5%, Current Coupon 7.25%, Secured Debt (Maturity October 14, 2016)(8)		1,975,000	1,937,558	1,996,754
Excelitas Technologies Corp. LIBOR plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity December 2, 2016)(8)		3,000,000	2,971,096	3,020,771
Gentiva Health Services, Inc. LIBOR plus 5.0%, Current Coupon 6.75%, Secured Debt (Maturity September 20, 2016)(8)		2,981,250	2,975,289	3,014,789
Henniges Automotive Holdings, Inc. LIBOR plus 10.0%, Current Coupon 12%, Secured Debt (Maturity December 7, 2016)(8)		3,000,000	2,941,308	2,941,308
MLM Holdings, Inc. LIBOR plus 5.25%, Current Coupon 7%, Secured Debt (Maturity December 1, 2016)(8)		6,982,500	6,879,686	6,897,406
MultiPlan, Inc. LIBOR plus 4.75%, Current Coupon 6.5%, Secured Debt (Maturity August 26, 2017)(8)		3,876,923	3,863,709	3,913,269
Rite Aid Corporation 7.5% Bond (Maturity March 1, 2017)		2,000,000	1,889,335	1,845,874
SonicWALL, Inc. LIBOR plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity August 1, 2016)(8)		1,794,355	1,797,374	1,807,813
Terex Corporation 7.4% Bond (Maturity January 15, 2014)		2,000,000	2,023,301	2,023,301
Visant Corporation LIBOR plus 5.25%, Current Coupon 7%, Secured Debt (Maturity December 28, 2016)(8)		4,987,500	4,891,963	5,057,003
Vision Solutions, Inc. LIBOR plus 6.0%, Current Coupon 7.75%, Secured Debt (Maturity July 23, 2016)(8)		1,925,000	1,612,010	1,631,338
Western Refining Inc. 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
Marketable Securities and Idle Funds Investments				
Wyle Services Corporation	Investments in Secured and Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
LIBOR plus 4.0%, Current Coupon 6%, Secured Debt (Maturity September 10, 2016)(8)		3,989,992	3,964,645	4,003,290
Yankee Cable Acquisition, LLC				
LIBOR plus 4.5%, Current Coupon 6.5%, Secured Debt (Maturity August 26, 2016)(8)		3,990,000	3,933,213	3,990,000
Other Marketable Securities and Idle Funds Investments(11)		5,529,450	5,653,480	5,707,855
Subtotal Marketable Securities and Idle Funds Investments			67,970,907	68,752,858
Total Investments, December 31, 2010			$ 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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)

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 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In connection with its portfolio debt investments, Main Street sometimes receives nominal cost warrants ("nominal cost equity") that are valued as part of the negotiation process with the particular portfolio company. When Main Street receives nominal cost equity, Main Street allocates its cost basis in its investment between its debt 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 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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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).

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Quoted prices for similar assets in active markets (for example, investments in restricted stock);

Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);

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

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

Level 3 Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. 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;

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Current and projected financial condition of the portfolio company;

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

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

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

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

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

Current information regarding any offers to purchase the investment;

Current ability of the portfolio company to raise any additional financing as needed;

Changes in the economic environment which may have a material impact on the operating results of the portfolio company;

Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;

Qualitative assessment of key management;

Contractual rights, obligations or restrictions associated with the investment; and

Other factors deemed relevant.

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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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:

		Fair Value Measurements		
At December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

		Fair Value Measurements		
At December 31, 2010	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
LMM portfolio investments	$ 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.

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	December 31, 2011			December 31, 2010		
Cost:	**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%

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 31, 2011			December 31, 2010		
Fair Value:	**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.

	December 31, 2011			December 31, 2010		
Cost:	**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%

	December 31, 2011			December 31, 2010		
Fair Value:	**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%

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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:

	December 31, 2011			December 31, 2010		
Cost:	**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%
Thrifts & 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)

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

	December 31, 2011			December 31, 2010		
Fair Value:	**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%
Thrifts & 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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.

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

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.

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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

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

	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
Total income	2,982,852	3,423,606	3,612,400
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
Total net expenses	(4,165,440)	(4,508,549)	(4,562,989)
Net loss	$ (1,182,588)	$ (1,084,943)	$ (950,589)

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
Subtotal	6,334,830	4,048,229
Accumulated amortization	(2,166,815)	(1,504,584)
Net deferred financing costs balance	$ 4,168,015	$ 2,543,645

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 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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE F SBIC DEBENTURES (Continued)

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

Maturity Date	Fixed Interest Rate	Amount
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
Debentures Acquired in the Exchange Offer on January 7, 2010		
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
Balances as of Consummation of the Exchange Offer		135,000,000
9/1/2020	3.932%	10,000,000
9/1/2020	3.500%	35,000,000
Balances as of December 31, 2010		180,000,000
3/1/2021	4.369%	10,000,000
3/1/2021	4.599%	20,000,000
9/1/2021	3.392%	10,000,000
Balances as of December 31, 2011		$ 220,000,000

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 $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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE G CREDIT FACILITY (Continued)

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

	Years Ended December 31,				
Per Share Data:	**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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE H FINANCIAL HIGHLIGHTS (Continued)

	Years Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

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

	For the Years Ended December 31,		
	2011	**2010**	**2009**
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:

	Years Ended December 31,		
	2011	**2010**	**2009**
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)

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (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.

	Years Ended December 31,	
	2011 (estimated)(1)	2010
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	
Total distributions accrued or paid to common stockholders	$ 38,548,843	$ 23,899,909

(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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

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 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**
Deferred tax assets:		
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
Deferred tax liabilities:		
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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE J EXCHANGE OFFER (Continued)

stock consideration 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)
Total stock consideration and noncontrolling interest value		23,330,301
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)
Total fair value of MSC II net assets		28,412,731
Bargain purchase gain		5,082,430
Transaction costs associated with the Exchange Offer		(191,848)
Bargain purchase gain, net of transaction costs	$	4,890,582

(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.

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE J EXCHANGE OFFER (Continued)

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE L DIVIDEND REINVESTMENT PLAN ("DRIP") (Continued)

average price of the applicable shares purchased by the DRIP 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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE M SHARE-BASED COMPENSATION (Continued)

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

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE R SUBSEQUENT EVENTS (Continued)

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.

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

Schedule 12-14

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
CONTROL INVESTMENTS						
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	12% Secured Debt	1,049,099	6,985,748	1,774,591	230,000	8,530,339
	Warrants		3,380,333			3,380,333
Billing, Inc.	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	Prime plus 2% Secured Debt	142,648	2,260,000	3,514	3,514	2,260,000
Idaho, LLC	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
	Common Stock			210,000		210,000
	Warrants					

Mid-Columbia Lumber	10% Secured Debt	126,736	1,250,000			1,250,000
Products, LLC	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	14% Secured Debt	396,308		5,933,403	750,000	5,183,403
Research, LLC	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	1,282,978	10,635,273	1,282,978		11,918,251
	Common Stock	120,000	776,000	1,364,000		2,140,000

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
	Member Units	723,610	1,940,000	3,720,000		5,660,000
Uvalco Supply, LLC	Member Units	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						
	Total Control	**$ 25,051,361**	**$ 174,596,394**	**$ 106,470,217**	**$ 42,142,900**	**$ 238,923,711**

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
AFFILATE INVESTMENTS						
American Sensor Technologies, Inc.	9% Secured Debt	$ 331,204	$ 3,514,113	$ 26,844	$ 501,975	$ 3,038,982
	Warrants		1,830,000	1,270,000		3,100,000
Compact Power Equipment Centers, LLC	6% Current/6% PIK Secured Debt	350,347	3,120,950	504,161	793,651	2,831,460
	8% PIK Secured Debt	1,884		107,767		107,767
	Series A Member Units	58,907		852,558		852,558
	Member Units		1,147			1,147
Drilling Info, Inc.	12% Secured Debt	1,205,710	7,770,000	232,377	2,377	8,000,000
	8.75% Secured Debt	50,999		750,000		750,000
	Warrants		4,010,000	6,350,000		10,360,000
	Common Stock		1,710,325	3,180,000		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	279,321		9,896,904		9,896,904
	Warrants			400,000		400,000
Houston Plating & Coatings, LLC	Prime Plus 2%	7,810	300,000		300,000	
	Member Units	583,750	3,025,000	2,965,000		5,990,000
Integrated Printing Solutions, LLC	13% Secured Debt	488,977		9,227,866		9,227,866
	Warrants			600,000		600,000
IRTH Holdings, LLC	12% Secured Debt	719,981	5,891,126	108,874	916,060	5,083,940
	Member Units		850,000	1,630,000		2,480,000
KBK Industries, LLC	10% Secured Debt	28,930	514,940		500,000	14,940
	14% Secured Debt	748,920	5,241,999	8,001		5,250,000
	Member Units	409,711	1,790,333	1,009,667		2,800,000
Laurus Healthcare, LP	9% Secured Debt	490,353	2,800,000	3,575,000	525,000	5,850,000
	Class A and C Units	375,273	4,620,000	810,000		5,430,000
Lighting Unlimited, LLC	8% Secured Debt	144,059	2,669,924	9,522	2,679,446	
	Preferred Stock					
	Warrants					
	Common Stock					
Merrick Systems, Inc.	13% Secured Debt	824,775	2,540,849	459,151	3,000,000	
	Warrants		450,000	758,424	1,208,424	
Olympus Building Services, Inc.	10% Current/2% PIK Secured Debt	539,300	3,050,000	117,643	861,616	2,306,027
	15% PIK Secured Debt	34,109	984,001	40,098	29,930	994,169
	Warrants		930,000		859,995	70,005
OnAsset Intelligence, Inc.	12% Secured Debt	412,067		915,566		915,566
	Preferred Stock	80,509		1,576,508		1,576,508
	Warrants			830,000		830,000
OPI International Ltd.	12% Secured Debt	1,579,342	8,789,573	2,570,427	230,000	11,130,000
	Warrants		500,000	3,600,000		4,100,000
Radial Drilling	12% Secured Debt	105,621		3,366,573		3,366,573

Servcies Inc.	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	13% Secured Debt		1,000,000	200,000	950,000	250,000
Management, LLC	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

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						
	Total Affiliate Investments	**$ 12,558,835**	**$ 80,206,804**	**$ 80,784,233**	**$ 14,586,356**	**$ 146,404,681**

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.

Shares

Main Street Capital Corporation

Common Stock

PROSPECTUS SUPPLEMENT

RAYMOND JAMES
BAIRD

BB&T CAPITAL MARKETS

RBC CAPITAL MARKETS

December , 2012