Main Street Capital CORP
Form N-2/A
September 21, 2007

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As filed with the Securities and Exchange Commission on September 21, 2007
Securities Act File No. 333-142879

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 3

Main Street Capital Corporation
(Exact name of registrant as specified in charter)

1300 Post Oak Boulevard, Suite 800
Houston, TX 77056
(713) 350-6000
(Address and telephone number,
including area code, of principal executive offices)

Vincent D. Foster
Chief Executive Officer
Main Street Capital Corporation
1300 Post Oak Boulevard, Suite 800
Houston, TX 77056
(Name and address of agent for service)

COPIES TO:

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Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. o

It is proposed that this filing will become effective (check appropriate box): o when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price[(1)]	Amount of Registration Fee
Common Stock, $0.01 par value per share	$86,250,000	$2,303[(2)]

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee. Includes shares subject to the underwriters over-allotment option.

(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 21, 2007

PRELIMINARY PROSPECTUS

5,000,000 Shares
Main Street Capital Corporation
Common Stock

We are a specialty investment company focused on providing customized debt and equity financing to lower middle market companies that operate in diverse industries. We seek to fill the current financing gap for lower middle market businesses, which have limited access to financing from commercial banks and other traditional sources.

Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and realizing capital appreciation from our equity-related investments. Upon completion of this offering, we will be an internally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940.

Upon completion of the formation transactions described in this prospectus, we will acquire (i) Main Street Mezzanine Fund, LP, which is licensed as a Small Business Investment Company, or SBIC, by the United States Small Business Administration and (ii) Main Street Mezzanine Management, LLC, the general partner of Main Street Mezzanine Fund, LP. In addition, as part of the formation transactions, we will acquire Main Street Capital Partners, LLC, which is the manager and investment adviser to two SBICs, including Main Street Mezzanine Fund, LP.

We are offering 5,000,000 shares of our common stock. This is our initial public offering, and no public market currently exists for our shares. We have applied to have our common stock approved for quotation on the Nasdaq Global Market under the symbol MAIN.

Investing in our common stock involves risks, including the risk of leverage, and should be considered speculative. See Risk Factors beginning on page 15. Shares of closed-end investment companies have in the past frequently traded at a discount to their net asset value. If our shares trade at a discount to net asset value, it may increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of $15.00 per share, purchasers in this offering will experience immediate dilution in net asset value of approximately $1.53 per share. See Dilution for more information.

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, TX 77056 or by telephone at (713) 350-6000 or on our website at www.mainstreethouston.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at www.sec.gov that contains such information.

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

	Per Share	Total
Public offering price[(1)]	$ 15.00	$ 75,000,000
Underwriting discount (sales load)[(2)]	$ 1.05	$ 5,250,000
Proceeds to us, before expenses[(2)(3)]	$ 13.95	$ 69,750,000

(1) In addition, we will issue 4,525,674 shares in exchange for the aggregate consideration of $59.8 million in connection with the formation transactions described herein.

(2) The underwriters have reserved up to 500,000 shares of our common stock for sale at the public offering price to our directors, employees and their family members and business associates. The underwriting discount (sales load) with respect to shares sold in this directed share program will be $0.375 per share. If all directed shares are sold, the proceeds to us before expenses would be $70,087,500.

(3) We estimate that we will incur approximately $2 million of expenses in connection with this offering.

We have granted the underwriters a 30-day option to purchase up to an additional 750,000 shares of our common stock at the public offering price, less the underwriting discount (sales load), solely to cover over-allotments, if any. If the over-allotment option is exercised in full, the total public offering price would be $86,250,000, the total underwriting discount (sales load) would be $6,037,500 ($5,700,000 if all shares allocated to the directed share program are sold), and the proceeds to us, before expenses, would be $80,212,500 ($80,550,000 if all shares allocated to the directed share program are sold).

The underwriters expect to deliver the shares on or about , 2007.

Morgan Keegan & Company, Inc.

BB&T Capital Markets
A Division of Scott & Stringfellow, Inc.

SMH Capital Inc.

Ferris, Baker Watts
Incorporated

The date of this prospectus is , 2007

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You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus. The information contained in this prospectus is complete and accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or sale of our common stock. However, if any material change occurs while this prospectus is required by law to be delivered, this prospectus will be amended or supplemented accordingly.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus carefully, including the section entitled Risk Factors.

Since commencing investment operations in 2002, Main Street Mezzanine Fund, LP has invested primarily in secured debt instruments, equity investments, warrants and other securities of lower middle market, privately-held companies based in the United States. Main Street Mezzanine Fund is licensed as a Small Business Investment Company, or SBIC, by the United States Small Business Administration, or SBA. Main Street Mezzanine Management, LLC, or the General Partner, has been the general partner of Main Street Mezzanine Fund since its inception, and Main Street Capital Partners, LLC, or the Investment Adviser, has acted as Main Street Mezzanine Fund s manager and investment adviser. The Investment Adviser also acts as the manager and investment adviser to Main Street Capital II, LP, a separate affiliated SBIC which commenced its investment operations in January 2006. The Investment Adviser receives management fees pursuant to separate management services agreements with both Main Street Mezzanine Fund and Main Street Capital II. Immediately prior to our election to be treated as a business development company under the Investment Company Act of 1940 and the consummation of the offering, in what we sometimes refer to in this prospectus as the formation transactions, Main Street Capital Corporation will acquire all of the outstanding equity interests of Main Street Mezzanine Fund, the General Partner and the Investment Adviser through a series of transactions described in this prospectus under the caption Formation; Business Development Company and Regulated Investment Company Elections. We will not acquire any equity interest in Main Street Capital II in connection with the formation transactions but the Investment Adviser will continue to act as the manager and investment adviser to Main Street Capital II and receive a management fee pursuant to the management services agreement with Main Street Capital II subsequent to such transactions.

Unless otherwise noted, the terms we, us, our and Main Street refer to Main Street Mezzanine Fund, the General Partner and the Investment Adviser prior to consummation of the formation transactions, and to Main Street Capital Corporation, Main Street Mezzanine Fund, the General Partner and the Investment Adviser after that time.

Main Street

We are a specialty investment company focused on providing customized financing solutions to lower middle market companies, which we define as companies with annual revenues between $10.0 million and $100.0 million. Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and realizing capital appreciation from our equity-related investments. Our investments generally range in size from $2.0 million to $15.0 million. For larger investments in this range, we have generally secured co-investments from other institutional investors due to our historical regulatory size limits. Since our wholly owned subsidiary, Main Street Mezzanine Fund, was formed in 2002, it has funded over $100 million in debt and equity investments. Our ability to invest across a company s capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or one-stop financing.

We typically seek to partner with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) taking first priority liens on assets; and (iii) providing equity incentives for management teams of our portfolio companies. We seek to avoid competing with other capital providers for transactions because we believe competitive transactions often have execution risks and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and higher leverage ratios. In that regard, based upon information provided to us by our portfolio companies (which we have not independently verified), our portfolio had a total net debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio of approximately 3.4 to 1.0 and a total EBITDA to interest expense ratio of 2.1 to 1.0. In calculating these ratios, we included all portfolio company

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debt, EBITDA and interest expense as of June 30, 2007, including debt junior to our debt investments but excluding amounts related to one portfolio company with less than one year of operations. If we also excluded debt junior to our debt investments in calculating these ratios, the ratios would be 2.8 to 1.0 and 2.3 to 1.0, respectively. In addition, approximately 90% of our total investments at cost are debt investments and over 90.0% of such debt investments at cost were secured by first priority liens on the assets of our portfolio companies as of June 30, 2007. At June 30, 2007, our average fully diluted ownership in portfolio companies where we have an equity warrant and/or direct equity investment was approximately 22%.

As of June 30, 2007, we had debt and equity investments in 25 portfolio companies with an aggregate fair market value of $81.1 million and the weighted average effective yield on all of our debt investments was approximately 14.7%. Weighted average effective yields are computed using the effective interest rates for all debt investments at June 30, 2007, including amortization of deferred debt origination fees and original issue discount. As of June 30, 2007, the weighted average effective yield on all of our outstanding debt investments was 13.8%, excluding the impact of the deferred debt origination fee amortization.

The following table sets forth certain unaudited information as of June 30, 2007, for each portfolio company in which we had an investment:

Company	**Nature of Principal Business**	**Cost of Investment**[(1)(2)]	**Fair Value of Investment**[(3)]
		(dollars in thousands)	
Advantage Millwork Company, Inc.	Manufactures/distributes wood doors	$ 2,480	$ 2,480
All Hose & Specialty, LLC	Distributes commercial/industrial hoses	2,680	4,600
American Sensor Technologies, Inc.	Manufactures commercial/industrial sensors	3,450	3,975
Café Brazil, LLC	Operates casual restaurant chain	2,992	4,100
Carlton Global Resources, LLC	Produces and processes industrial minerals	4,931	4,931
CBT Nuggets, LLC	Produces and sells IT certification training videos	2,724	3,380
East Teak Fine Hardwoods, Inc.	Distributes hardwood products	1,737	2,062
Hawthorne Customs & Dispatch Services, LLC	Provides one stop logistics services	1,950	2,203
Hayden Acquisition, LLC	Manufactures utility structures	1,955	1,955
Houston Plating & Coatings, LLC	Provides plating and industrial coating services	310	2,220
Jensen Jewelers of Idaho, LLC	Sells retail jewelry	2,694	2,694
KBK Industries, LLC	Manufactures oilfield and industrial products	4,713	5,836
Laurus Healthcare, LP	Develops and manages healthcare facilities	3,115	3,115
Magna Card, Inc.	Distributes wholesale/consumer magnetic products	2,116	2.016
National Trench Safety, LLC	Rents and sells trench and traffic safety equipment	1,939	1,939
Pulse Systems, LLC	Manufactures components for medical devices	2,642	2,874
Quest Design & Production, LLC	Designs and fabricates custom displays	3,940	3,940
Support Systems Homes, Inc.	Manages substance abuse treatment centers	1,663	1,663
TA Acquisition Group, LP	Produces and processes construction aggregates	2,640	7,680
Technical Innovations, LLC		2,065	3,105

	Manufactures specialty cutting tools and punches		
Transportation General, Inc.	Provides taxi cab/transportation services	3,670	4,080
Turbine Air Systems, Ltd.	Manufactures commercial/industrial chilling systems	1,097	1,097
Vision Interests, Inc.	Manufactures/installs commercial signage	4,292	4,292
Wicks N More, LLC	Manufactures high-end candles	4,290	3,720
WorldCall, Inc.	Provides telecommunication/information services	1,064	1,150
	Total	$ 67,149	$ 81,107

(1) Net of prepayments but before accumulated unearned income allocations.

(2) Aggregates the cost of all of our investments in each of our portfolio companies.

(3) Aggregates the fair value of all of our investments in each of our portfolio companies.

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Recent Developments

In August 2007, Turbine Air Systems, Ltd. raised approximately $20 million through an equity capital funding transaction with certain institutional investors. In connection with this funding transaction, Main Street Mezzanine Fund agreed to the sale of its equity warrant position in Turbine Air Systems, Ltd. for $1.1 million in cash. The sale of the equity warrant resulted in a realized capital gain of approximately $1 million, which will be fully recognized in the third quarter of 2007.

In August 2007, Main Street Mezzanine Fund made a $4.3 million secured debt investment and a $1.0 million equity investment, representing an approximately 19% fully diluted ownership interest, in Universal Scaffolding & Equipment, LLC (Universal). Universal is in the business of manufacturing, sourcing and selling scaffolding, forming and shoring products, and custom fabricated cast iron products principally for the commercial and industrial construction and maintenance markets.

In August 2007, Main Street Mezzanine Fund made a $3.2 million secured debt investment and a $0.5 million equity investment in Gulf Manufacturing, LLC, a manufacturer and distributor of machined parts for industrial piping systems. In addition to its direct equity investment, Main Street Mezzanine Fund received warrants in connection with its debt investment and maintains a combined fully diluted equity position of approximately 27%.

In September 2007, Main Street Mezzanine Fund s equity investment and equity warrant position were redeemed by Technical Innovations, LLC for $1.6 million. This redemption resulted in a total gain of $1.2 million which exceeded the fair value of such investment as of June 30, 2007 by $150,000. Main Street Mezzanine Fund also received a transaction advisory fee of $150,000 for facilitating and structuring the third-party equity financing secured to fund the redemption.

Subsequent to December 31, 2006, Main Street Mezzanine Fund has continued to make regular quarterly cash distributions to its partners from accumulated net investment income. On January 2, 2007, April 2, 2007 and July 2, 2007, Main Street Mezzanine Fund made regular quarterly cash distributions to its partners totaling $0.9 million, $1.0 million and $1.1 million, respectively.

In addition, Main Street Mezzanine Fund periodically distributes special cash distributions to its partners from the net proceeds of realized gains on investments. On January 5, 2007 and January 31, 2007, Main Street Mezzanine Fund made special cash distributions to its partners of $1.7 million and $1.0 million, respectively, relating to realized gains on its investments. Also, in August 2007, Main Street Mezzanine Fund made a special cash distribution to its partners of approximately $1 million related to the Turbine Air Systems, Ltd. realized gain.

As of September 17, 2007, we have executed non-binding term sheets for approximately $13 million of gross investment commitments in prospective portfolio companies. These proposed investments are subject to the completion of our due diligence and approval process as well as negotiation of definitive agreements with the prospective portfolio companies and, as a result, may not result in completed investments.

Why We Are Going Public

In 2002, Main Street Mezzanine Fund raised its initial capital, obtained its license to operate as an SBIC and began investing its capital. While we intend to continue to operate Main Street Mezzanine Fund as an SBIC and to utilize lower cost capital we can access through the SBA s SBIC Debenture Program, which we refer to as SBA leverage or SBIC leverage, to partially fund our investment portfolio, we believe that being a public company will offer certain key advantages for our business that would not be available to us if we continue to operate as a private SBIC. These key advantages include:

Permanent Capital Base and Longer Investment Horizon. Unlike traditional private investment vehicles such as SBICs, which typically are finite-life limited partnerships with a limited investment horizon, we will operate as a corporation with a perpetual life and no requirement to return capital to investors. We believe raising separate pools of capital with finite investment terms unreasonably diverts management s time from its basic investment activities. We believe that our new structure will allow us to make investments with a longer investment horizon and to better control the timing and method of exiting our investments, which we believe will enhance our returns.

Investment Efficiency. SBICs are subject to a number of regulatory restrictions on their investment activities, including limits on the size of individual investments and the size and types of companies in which they are permitted to invest. Subsequent to the consummation of this offering, we may make investments through Main Street Capital Corporation without these restrictions, allowing us to pursue certain attractive investment opportunities that we previously were required to forgo. In addition, as a public company with more capital available, we generally will not be required to secure co-investments from non-affiliated investors for investments exceeding our historical regulatory size limits.

Greater Access to Capital. As a public company, we expect to have access to greater amounts and types of capital that we can use to grow our investment portfolio. In addition, we should be able to obtain additional capital in a more efficient and cost effective manner than if we were to remain a private entity. We will also have the ability to spread our overhead and operating costs over a larger capital base.

Key Personnel Retention. Retaining and providing proper incentives to key personnel over longer periods of time is critical to the success of our operations. As a public company, we will have the ability to provide competitive rates of compensation, including equity incentives to current and future employees, to further align their economic interests with our stockholders.

Market Opportunity

Our business is to provide customized financing solutions to lower middle market companies, which we define as companies with annual revenues between $10.0 million and $100.0 million. Based on a search of the Dun and Bradstreet database completed on June 20, 2007, we believe there are approximately 68,000 companies in the United States with revenues between $10.0 million and $100.0 million. We believe many lower middle market companies are unable to obtain sufficient financing from traditional financing sources. Due to evolving market trends, traditional lenders and other sources of private investment capital have focused their efforts on larger companies and transactions. We believe this dynamic is attributable to several factors, including the consolidation of commercial banks and the aggregation of private investment funds into larger pools of capital that are focused on larger investments. In addition, many current funding sources do not have relevant experience in dealing with some of the unique business issues facing lower middle market companies. Consequently, we believe that the market for lower middle market investments, particularly those investments of less than $10.0 million, is currently underserved and less competitive. This market situation creates the opportunity for us to meet the financing requirements of lower middle market companies while also negotiating favorable transaction terms and equity participations.

Business Strategies

Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and realizing capital appreciation from our equity-related investments. We have adopted the following business strategies to achieve our investment objective:

Delivering Customized Financing Solutions. We believe our ability to provide a broad range of customized financing solutions to lower middle market companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. We offer to our portfolio companies customized debt financing solutions with equity components that are tailored to the facts and circumstances of each situation. Our ability to invest across a company s capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer our portfolio companies a comprehensive suite of financing solutions, or one-stop financing.

Focusing on Established Companies in the Lower Middle Market. We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building management or are in the early stages of building a revenue base. In addition, established lower middle market companies generally provide opportunities for capital appreciation.

Leveraging the Skills and Experience of Our Investment Team. Our investment team has over 35 years of combined experience in lending to and investing in lower middle market companies. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include five certified public accountants and one chartered financial analyst. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional and complex structures.

Maintaining Portfolio Diversification. We seek to maintain a portfolio of investments that is appropriately diversified among various companies, industries, geographic regions and end markets. This portfolio diversity is intended to mitigate the potential effects of negative economic events for particular companies, regions and industries.

Capitalizing on Strong Transaction Sourcing Network. Our investment team seeks to leverage its extensive network of referral sources for investments in lower middle market companies developed over the last ten years. Since our wholly-owned subsidiary, Main Street Mezzanine Fund, was formed in 2002, it has originated and been the lead investor in over 25 principal investment transactions and has developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created a growing proprietary deal flow for us.

Benefiting from Lower Cost of Capital. Main Street Mezzanine Fund s SBIC license has allowed it and, subject to SBA approval, will allow us to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and public debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base, our relative cost of debt capital should be lower than many of our competitors.

Investment Criteria

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

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

Established Companies with Positive Cash Flow. We seek to invest in established companies in the lower middle market with sound historical financial performance. We typically focus on companies that have historically generated EBITDA of greater than $1.0 million and commensurate levels of free cash flow. We generally do not intend to invest in start-up companies or companies with speculative business plans.

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

Exit Alternatives. We expect that the primary means by which we exit our debt investments will be through the repayment of our investment from internally generated cash flow and/or refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may

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provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

Formation Transactions

Main Street Capital Corporation is a newly organized Maryland corporation, formed on March 9, 2007, for the purpose of acquiring Main Street Mezzanine Fund, the General Partner and the Investment Adviser, raising capital in this offering and thereafter operating as an internally-managed business development company under the Investment Company Act of 1940, or the 1940 Act.

Immediately prior to our election to be treated as a business development company under the 1940 Act and the closing of this offering, we will consummate the following formation transactions to create an internally-managed operating structure which we believe will align the interests of management and stockholders and also enhance our net investment income, net cash flow from operations and dividend paying potential:

Pursuant to a merger agreement that has received the approval of the General Partner and over 95% of the limited partners of Main Street Mezzanine Fund, or the Limited Partners, we will acquire 100.0% of the limited partnership interests in Main Street Mezzanine Fund for $40.9 million (which represents the audited net asset value of Main Street Mezzanine Fund as of December 31, 2006, less cash distributed to partners in January 2007 related to realized gains). We will issue to the Limited Partners shares of common stock valued at $40.9 million in exchange for their limited partnership interests. The $40.9 million valuation represents a 54.4% premium over the total capital contributions made by the Limited Partners to Main Street Mezzanine Fund as a result of Main Street Mezzanine Fund s cumulative retained earnings as well as the net unrealized appreciation recorded in the value of the investments held by Main Street Mezzanine Fund. The aggregate number of shares issuable to the Limited Partners will be determined by dividing $40.9 million by the initial public offering price per share. The shares issuable to the Limited Partners will be allocated among the Limited Partners in proportion to the respective limited partnership interests held by the Limited Partners.

We will acquire from the members of the General Partner 100.0% of their equity interests in the General Partner and, consequently, 100.0% of the general partnership interest in Main Street Mezzanine Fund for $9.0 million. We will issue to the members of the General Partner shares of common stock valued at $9.0 million in exchange for their equity interests in the General Partner. The aggregate number of shares issuable to the members of the General Partner will be determined by dividing $9.0 million by the initial public offering price per share. Under the current agreement of limited partnership, or partnership agreement, of Main Street Mezzanine Fund, the General Partner is entitled to 20.0% of Main Street Mezzanine Fund s profits and related distributions. We refer to the General Partner s right to receive such profits and related distributions as carried interest. The consideration being received by the members of the General Partner is based largely on the estimated present value of the 20.0% carried interest in Main Street Mezzanine Fund and comparable public market transactions, and was determined using industry standard valuation methodologies that we believe are reasonable and supportable.

In addition to serving as the general partner of Main Street Mezzanine Fund, the General Partner holds partnership interests in Main Street Mezzanine Fund equaling 0.7% of the total partnership interests.

We will acquire from the members of the Investment Adviser 100.0% of their equity interests in the Investment Adviser for $18.0 million. We will issue to the members of the Investment Adviser shares of common stock valued at $18.0 million in exchange for their equity interests in the Investment Adviser. The aggregate number of shares issuable to the members of the Investment Adviser will be determined by dividing $18.0 million by the initial public offering price per share. The consideration payable to the members of the Investment Adviser is based on the estimated present value of net distributable income related to the management fees to which the Investment Adviser is entitled to receive pursuant to certain agreements and comparable public market transactions, and was determined using industry standard valuation methodologies that we believe are reasonable and supportable.

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In connection with the determination of the fair value of the investments held by Main Street Mezzanine Fund at December 31, 2006, the value of the equity interests in the General Partner and value of the equity interests in the Investment Advisor, the General Partner engaged Duff & Phelps LLC, an independent valuation firm (Duff & Phelps), to provide third party valuation consulting services which consisted of certain mutually agreed limited procedures that the General Partner identified and requested Duff & Phelps to perform (hereinafter referred to as the Procedures). Upon completion of the Procedures, Duff and Phelps concluded that the fair value of the investments and the value of the equity interests subjected to the Procedures, as determined by the General Partner, did not appear unreasonable. Duff & Phelps performance of the Procedures did not constitute an opinion or recommendation as to the formation transactions. See also Business Valuation Process and Determination of Net Asset Value and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Investment Valuation.

Under two separate management services agreements with Main Street Mezzanine Fund and Main Street Capital II, the Investment Adviser receives management fees from both Main Street Mezzanine Fund and Main Street Capital II. Until September 30, 2007, the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Mezzanine Fund equal to 0.625% (2.5% annualized) of the sum of (i) the amount of qualifying private capital contributed or committed to Main Street Mezzanine Fund, (ii) any SBA permitted return of capital distributions made by Main Street Mezzanine Fund to its Limited Partners and (iii) an amount equal to two times qualifying private capital, representing the SBIC leverage available to Main Street Mezzanine Fund. After September 30, 2007, the Investment Adviser is entitled to receive a quarterly management fee from Main Street Mezzanine Fund equal to 0.625% (2.5% annualized) of the sum of (i) the amount of private capital contributed to Main Street Mezzanine Fund and (ii) the actual outstanding SBIC leverage of Main Street Mezzanine Fund. In connection with the formation transactions, the quarterly management fee from Main Street Mezzanine Fund will be adjusted to equal 0.625% (2.5% annualized) multiplied by the cost basis of active investments.

From January 1, 2006 until December 31, 2010 (or an earlier date if Main Street Capital II receives 80.0% or greater of its combined private funding and SBIC leverage), the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Capital II equal to 0.5% (2.0% annualized) of the sum of (i) the amount of qualifying private capital contributed or committed to Main Street Capital II, (ii) any SBA permitted return of capital distributions made by Main Street Capital II to its limited partners, and (iii) an amount equal to two times qualifying private capital, representing the SBIC leverage available to Main Street Capital II. Thereafter, the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Capital II equal to 0.5% (2.0% annualized) of the total cost of all active portfolio investments of Main Street Capital II.

Pursuant to the applicable management fee provisions as discussed above and the existing capital committed to both funds, the Investment Adviser is entitled to receive management fees of approximately $2 million and $3.2 million from Main Street Mezzanine Fund and Main Street Capital II, respectively, for the year ending December 31, 2007.

Prior to the closing of the formation transactions, the Investment Advisor will compensate its personnel and its members consistent with past practices, including paying bonus compensation of substantially all accumulated net earnings. After the closing of the formation transactions, the personnel of the Investment Advisor will be compensated as determined by the management of Main Street and the Compensation Committee of its Board of Directors.

The formation transactions discussed above have received approval from the SBA, subject only to receipt by the SBA of final transaction documents.

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(1) Based on 9,525,674 shares of common stock to be outstanding after this offering and completion of the formation transactions described elsewhere in this prospectus. Does not include 750,000 shares of common stock issuable pursuant to the underwriters over-allotment option.

After completion of this offering, we will be a closed-end, non-diversified management investment company that has elected to be treated as a business development company under the 1940 Act. We will be internally managed by our executive officers under the supervision of our board of directors (Board of Directors). As a result, we will not pay any external investment advisory fees, but instead we will incur the operating costs associated with employing investment and portfolio management professionals.

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As a business development company, we will be required to comply with numerous regulatory requirements. We will be permitted to, and expect to, finance our investments using debt and equity. However, our ability to use debt will be limited in certain significant respects. See Regulations. We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, or the Code. See Material U.S. Federal Income Tax Considerations. As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet certain source-of-income, asset diversification and other requirements.

Corporate Information

Our principal executive offices are located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056. We maintain a website on the Internet at www.mainstreethouston.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

Available Information

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

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

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The Offering

Common stock offered by us	5,000,000 shares(1)
Common stock issued in formation transactions	4,525,674 shares
Common stock to be outstanding after this offering	9,525,674 shares(1)
Use of proceeds	Our net proceeds from this offering will be approximately $68 million, assuming an initial public offering price of $15.00 per share. We intend to use all of the net proceeds from this offering to make investments in lower middle market companies in accordance with our investment objective and strategies described in this prospectus, pay our operating expenses and dividends to our stockholders and for general corporate purposes. Pending such use, we will invest the net proceeds primarily in short-term securities consistent with our business development company election and our election to be taxed as a RIC. See Use of Proceeds.
Proposed Nasdaq Global Market symbol	MAIN
Dividends	We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. Our dividends, if any, will be determined by our Board of Directors. We expect to declare our initial quarterly dividend in November 2007 and pay the dividend on or before December 31, 2007.
Taxation	We intend to elect, effective as of the date of our formation, to be treated as a RIC for federal income tax purposes. As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Material U.S. Federal Income Tax Considerations.
Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an opt out reinvestment plan. As a result, if we declare dividends, then stockholders cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See Dividend Reinvestment Plan.
Trading at a discount	

	Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
Risk factors	See Risk Factors beginning on page 15 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

(1) Does not include 750,000 shares of common stock issuable pursuant to the over-allotment option granted by us to the underwriters.

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FEES AND EXPENSES

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

Stockholder Transaction Expenses:

Sales load (as a percentage of offering price)	7.0%	(1)
Offering and formation transaction expenses (as a percentage of offering price)	2.7%	(2)
Dividend reinvestment plan expenses		(3)
Total stockholder transaction expenses (as a percentage of offering price)	9.7%	

Annual Expenses (as a percentage of net assets attributable to common stock):

Operating expenses	2.3%(4)
Acquired fund fees and expenses	2.5%(5)
Interest payments on borrowed funds	%(6)
Total annual expenses	4.8%(7)

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 7.0% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return	$ 136	$ 234	$ 331	$ 577

(1) The underwriting discount with respect to shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering. The sales load in respect of any of the 500,000 shares sold pursuant to the directed share program described in Underwriting Directed Share Program will be 2.5% of the offering price. If all shares are sold in the directed share program, the sales load as a percentage of offering price would be 6.55% and total stockholder transaction expenses as a percentage of offering price would be 9.25%.

(2) Amount reflects estimated offering and formation transaction expenses of approximately $2 million to be paid by us.

(3) The expenses of administering our dividend reinvestment plan are included in operating expenses.

(4) Operating expenses represent our estimated annual operating expenses, excluding overhead incurred by the Investment Adviser related to its investment management responsibilities for Main Street Mezzanine Fund and Main Street Capital II. Upon consummation of the formation transactions, the Investment Adviser will be reflected as an investment in affiliated operating company as it does not conduct substantially all of its investment management activities for Main Street Mezzanine Fund. Operating expenses also exclude interest payments on borrowed funds, which is presented separately above.

(5) Acquired fund fees and expenses are not fees and expenses to be incurred by Main Street Capital Corporation directly, but rather are expenses directly incurred by Main Street Mezzanine Fund which will be a wholly-owned subsidiary of Main Street Capital Corporation upon consummation of the formation transactions and the offering. These fees and expenses principally consist of approximately $3.2 million of annual interest payments on funds borrowed directly by Main Street Mezzanine Fund. As discussed elsewhere in this prospectus, Main Street Mezzanine Fund currently has $55.0 million of outstanding indebtedness guaranteed by the SBA. You will incur these fees and expenses indirectly through Main Street Capital Corporation s 100% ownership of Main Street Mezzanine Fund.

(6) There are no interest payments on borrowed funds as Main Street Capital Corporation has not directly issued any indebtedness. You will indirectly incur interest payments on the $55.0 million of outstanding indebtedness of Main Street Mezzanine Fund, as a wholly-owned subsidiary of Main Street Capital Corporation. However, the interest payments to be made by Main Street Mezzanine Fund are reflected in the Acquired fund fees and expense line item above.

(7) The total annual expenses are the sum of operating expenses, acquired fund fees and expenses and interest payments on borrowed funds. In the future we may borrow money to leverage our net assets and increase our total assets.

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The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. In addition, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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SUMMARY FINANCIAL AND OTHER DATA

The summary financial and other data below reflects the combined operations of Main Street Mezzanine Fund and the General Partner. The summary financial data for the years ended December 31, 2004, 2005 and 2006, and as of December 31, 2006, have been derived from combined financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The summary financial and other data for the six months ended June 30, 2006 and June 30, 2007, and as of June 30, 2007, have been derived from unaudited financial data but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results as of and for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. You should read this summary financial and other data in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto.

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
				(Unaudited)	
			(dollars in thousands)		
Income statement data:					
Investment income:					
Total interest, fee and dividend income	$ 4,452	$ 7,338	$ 9,013	$ 4,574	$ 5,181
Interest from idle funds and other	9	222	749	368	374
Total investment income	4,461	7,560	9,762	4,942	5,555
Expenses:					
Management fees to affiliate	1,916	1,929	1,942	968	1,000
Interest	869	2,064	2,717	1,349	1,547
General and administrative	184	197	198	104	172
Professional costs related to offering					695
Total expenses	2,969	4,190	4,857	2,421	3,414
Net investment income	1,492	3,370	4,905	2,521	2,141
Total net realized gain (loss) from investments	1,171	1,488	2,430	181	597
Net realized income	2,663	4,858	7,335	2,702	2,738
Total net change in unrealized appreciation (depreciation) from investments	1,764	3,032	8,488	3,699	372
Net increase (decrease) in members equity and partners capital resulting from operations	$ 4,427	$ 7,890	$ 15,823	$ 6,401	$ 3,110
Other data:					
	15.3%	15.3%	15.0%	15.2%	14.7%

Weighted average effective yield on debt investments[1]					
Number of portfolio companies	14	19	24	24	25
Expense ratios (as percentage of average net assets):					
Operating expenses[2]	13.7%	9.0%	5.5%	3.0%	4.4%
Interest expense	5.7%	8.8%	7.0%	3.8%	3.7%

(1) Weighted average effective yield is calculated based upon our debt investments at the end of each period and includes amortization of deferred debt origination fees.

(2) The six months ended June 30, 2007 ratio includes the impact of professional costs related to this offering. These costs were 37.3% of operating expenses for that period.

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	As of December 31, 2006	As of June 30, 2007 (Unaudited)
	(dollars in thousands)	
Balance sheet data:		
Assets:		
Total investments at fair value	$ 76,209	$ 81,107
Accumulated unearned income	(2,498)	(2,523)
Total investments net of accumulated unearned income	73,711	78,584
Cash and cash equivalents	13,769	17,663
Deferred financing costs, net of accumulated amortization	1,333	1,484
Interest receivable and other assets	630	628
Deferred offering costs		698
Total assets	$ 89,443	$ 99,057
Liabilities, members equity and partners capital:		
SBIC debentures	$ 45,100	$ 55,000
Interest payable	855	1,017
Accounts payable-offering costs		938
Accounts payable and other liabilities	216	259
Total liabilities	46,171	57,214
Total members equity and partners capital	43,272	41,843
Total liabilities, members equity and partners capital	$ 89,443	$ 99,057

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RISK FACTORS

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

Risks Relating to Our Business and Structure

A significant portion of our investment portfolio is and will continue to be recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by our Board of Directors. Typically, there is not a public market for the securities of the privately held companies in which we have invested and will generally continue to invest. As a result, we will value these securities quarterly at fair value as determined in good faith by our Board of Directors.

Certain factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company s earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize upon one or more of our investments. As a result, investors purchasing our common stock based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments will receive a lower price for their shares than the value of our investments might warrant.

Our financial condition and results of operations will depend on our ability to effectively manage and deploy capital.

Our ability to achieve our investment objective of maximizing our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity-related investments will depend on our ability to effectively manage and deploy capital raised in this offering, which will depend, in turn, on our investment team s ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria. We cannot assure you that we will achieve our investment objective.

Accomplishing our investment objective on a cost-effective basis will be largely a function of our investment team s handling of the investment process, its ability to provide competent, attentive and efficient services and our access to investments offering acceptable terms. In addition to monitoring the performance of our existing investments, members of our investment team may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment.

Even if we are able to grow and build upon our investment operations in a manner commensurate with the increased capital available to us as a result of this offering, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects.

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The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described in this prospectus, it could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

We may face increasing competition for investment opportunities.

We compete for investments with other business development companies and investment funds (including private equity funds and mezzanine funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, have begun to invest in areas they have not traditionally invested in, including making investments in lower middle market companies. As a result of these new entrants, competition for investment opportunities in lower middle market companies may intensify. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors pricing, terms and structure. If we are forced to match our competitors pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the market for investments in lower middle market companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act will impose on us as a business development company.

We are dependent upon our key investment personnel for our future success.

We depend on the members of our investment team, particularly Vincent D. Foster, Todd A. Reppert, Curtis L. Hartman, Dwayne L. Hyzak and David L. Magdol, for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Although we intend to enter into employment agreements with Messrs, Reppert, Stout, Hartman, Hyzak and Magdol and a non-compete agreement with Mr. Foster, we have no guarantee that they will remain employed with us. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

Additionally, the increase in available capital for investment resulting from this offering will require that we retain new investment and administrative personnel. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining these personnel, we may not be able to operate our business as we expect.

We have no operating history as a business development company or as a regulated investment company, which may impair your ability to assess our prospects.

Main Street Mezzanine Fund was formed in 2002 by certain members of our management team. Prior to this offering, however, we have not operated, and our management team has no experience operating, as a business development company under the 1940 Act or as a RIC under Subchapter M of the Code. As a result, we have no operating results under these regulatory frameworks that can demonstrate to you either their effect on our business or our ability to manage our business under these frameworks. If we fail to operate our business so as to maintain our status as a business development company or a RIC, our operating flexibility will be significantly reduced.

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

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we intend to use leverage to partially finance our investments, you will experience increased risks of investing in our common stock. We, through Main Street Mezzanine Fund, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of Main Street Mezzanine Fund that are superior to the claims of our common stockholders. We may also borrow from banks and other lenders in the future. If the value of our assets also increases, leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends. Leverage is generally considered a speculative investment technique.

On June 30, 2007, we, through Main Street Mezzanine Fund, had $55.0 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.8% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of Main Street Mezzanine Fund over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us.

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

Assumed Return on Our Portfolio[1]
(net of expenses)

	(10.0)%	**(5.0)%**	**0.0%**	**5.0%**	**10.0%**
Corresponding net return to common stockholder	(31.3)%	(19.5)%	(7.6)%	4.2%	16.0%

(1) Assumes $99.1 million in total assets, $55.0 million in debt outstanding, $41.8 million in members equity and partners capital, and an average cost of funds of 5.8%. Actual interest payments may be different.

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

SBA regulations limit the outstanding dollar amount of SBA-guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC or group of SBICs under common control to $127.2 million (which amount is subject to increase on an annual basis based on cost of living increases). Because of our and our investment team s affiliations with Main Street Capital II, a separate SBIC which commenced investment operations in January 2006, Main Street Mezzanine Fund and Main Street Capital II may be deemed to be a group of SBICs under common control. Thus, the dollar amount of SBA-guaranteed debentures that can be issued collectively by Main Street Mezzanine Fund and Main Street Capital II may be limited to $127.2 million, absent relief from the SBA. Currently, we, through Main Street Mezzanine Fund, do not intend to issue SBA-guaranteed debentures in excess of $55.0 million based upon Main Street Mezzanine Fund s existing equity capital.

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Main Street Mezzanine Fund s current status as an SBIC does not automatically assure that it will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon Main Street Mezzanine Fund continuing to be in compliance with SBA regulations and policies. Moreover, the amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by Main Street Mezzanine Fund.

Our ability to enter into and exit investment transactions with our affiliates will be restricted.

Except in those instances where we have received prior exemptive relief from the SEC, we will be prohibited under the 1940 Act from knowingly entering into certain investment transactions with our affiliates. Since January 2006, Main Street Mezzanine Fund has co-invested with Main Street Capital II in a number of lower middle market companies. Each co-investment was made at the same time and on the same terms. In connection with our election to be regulated as a business development company, neither we nor Main Street Mezzanine Fund will be permitted to co-invest with Main Street Capital II in certain types of negotiated investment transactions unless we receive an order from the SEC permitting us to do so. Moreover, we may be limited in our ability to make follow-on investments or liquidate our existing equity investments in such companies. Although we have applied to the SEC for exemptive relief to permit such co-investment and liquidity transactions, subject to certain conditions, we cannot be certain that our application for such relief will be granted or what conditions will be placed on such relief.

There are significant potential conflicts of interest which could impact our investment returns.

The members of our investment team serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Messrs. Foster, Reppert, Hartman, Hyzak, Magdol and Stout, each of whom are members of our investment team, are and, following this offering, will continue to have responsibilities for and an economic interest in Main Street Capital II, a separate SBIC which commenced investment operations in January 2006. Importantly, Main Street Capital II has overlapping investment objectives with those of Main Street and, accordingly, makes loans to, and invests in, companies similar to those targeted by Main Street. As a result of their responsibilities for and economic interest in Main Street Capital II, the members of our investment team will face conflicts in the allocation of investment opportunities to Main Street Capital II. Although the members of our investment team will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by Main Street Capital II. Pending receipt of exemptive relief from the SEC to permit co-investment as described above, the members of our investment team will be forced to choose whether we or Main Street Capital II should make the investment when they identify an investment opportunity.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our Board of Directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our Board of Directors has the authority to modify or waive our current operating policies, investment criteria and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net

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asset value, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your investment. Moreover, we will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which investors may not agree or for purposes other than those contemplated at the time of this offering.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC under Subchapter M of the Code.

To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4.0% nondeductible federal excise tax, however, to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar-year basis. See Material U.S. Federal Income Tax Considerations. Because we use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act and may in the future become subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

The income source requirement will be satisfied if we obtain at least 90.0% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.

The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50.0% of the value of our assets must consist of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other acceptable securities; and no more than 25.0% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain qualified publicly traded partnerships. Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

We may not be able to pay you dividends, our dividends may not grow over time, and a portion of dividends paid to you may be a return of capital.

We intend to declare our initial quarterly dividend in November 2007 and will pay the dividend on or before December 31, 2007, and thereafter pay quarterly dividends to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay our initial dividend or thereafter make a specified level of cash dividends or year-to-year increases in cash dividends. Our ability to pay dividends might be adversely affected by, among other things, the impact of one or more of the risk factors described in this prospectus. In addition, the inability to satisfy the asset coverage test applicable to us as a business development company can limit our ability to pay dividends. All dividends will be paid at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable business development company regulations, Main Street Mezzanine Fund s compliance with applicable SBIC regulations and such other

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factors as our Board of Directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our stockholders in the future.

When we make quarterly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes. Due to tax accounting rules affecting our formation transactions, it is likely that a portion of our initial distribution will include a return of capital. In the future, our distributions may also include a return of capital.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the origination of a loan or possibly in other circumstances, or contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discounts or increases in loan balances as a result of contractual PIK arrangements will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax. For additional discussion regarding the tax implications of a RIC, please see Material U.S. Federal Income Tax Considerations Taxation as a RIC.

Main Street Mezzanine Fund, as an SBIC, may be unable to make distributions to us that will enable us to meet or maintain RIC status, which could result in the imposition of an entity-level tax.

In order for us to qualify for RIC tax treatment, we will be required to distribute on an annual basis substantially all of our taxable income, including income from our subsidiaries, which includes the income from Main Street Mezzanine Fund. We will be partially dependent on Main Street Mezzanine Fund for cash distributions to enable us to meet the RIC distribution requirements. Main Street Mezzanine Fund may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to qualify for RIC tax treatment. We may have to request a waiver of the SBA s restrictions for Main Street Mezzanine Fund to make certain distributions to maintain our eligibility for RIC tax treatment. We cannot assure you that the SBA will grant such waiver and if Main Street Mezzanine Fund is unable to obtain a waiver, compliance with the SBA regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

Because we intend to distribute substantially all of our income to our stockholders upon our election to be treated as a RIC, we will continue to need additional capital to finance our growth, and regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital.

In order to satisfy the requirements applicable to a RIC and to avoid payment of excise taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income except for certain net long-term capital gains recognized after we become a RIC, some or all of which we may retain, pay applicable income taxes with respect thereto, and elect to treat as deemed distributions to our stockholders. As a business development company, we generally are required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement limits the amount that we may borrow. If the value of our assets declines,

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we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments or sell additional shares of common stock and, depending on the nature of our leverage, to repay a portion of our indebtedness at a time when such sales may be disadvantageous. In addition, issuance of additional securities could dilute the percentage ownership of our current stockholders in us.

While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. In addition, as a business development company, we generally will not be permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline.

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We, Main Street Mezzanine Fund, and our portfolio companies will be subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA s current Debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage and, therefore, our competitive advantage over other finance companies.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this prospectus and may result in our investment focus shifting from the areas of expertise of our investment team to other types of investments in which our investment team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Efforts to comply with the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with the Sarbanes-Oxley Act may adversely affect us.

Upon completion of our initial public offering, we will be subject to the Sarbanes-Oxley Act of 2002, and the related rules and regulations promulgated by the SEC. Under current SEC rules, beginning with our fiscal year ending December 31, 2008, our management will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. As a result, we expect to incur significant additional expenses in the near term, which may negatively impact our financial performance and our ability to make distributions. This process also will result in a diversion of management s time and attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. There can be no assurance that we will successfully identify and resolve all issues required to be disclosed prior to becoming a public company or that our quarterly reviews will not identify additional material weaknesses. In the event that we are unable to maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

Risks Related to Our Investments

Our investments in portfolio companies may be risky, and we could lose all or part of our investment.

Investing in lower middle market companies involves a number of significant risks. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

- may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns;

- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

- generally have less publicly available information about their businesses, operations and financial condition. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

The lack of liquidity in our investments may adversely affect our business.

We invest, and will continue to invest in companies whose securities are not publicly traded, and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

We may not have the funds or ability to make additional investments in our portfolio companies.

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment.

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

We invest primarily in secured term debt as well as equity issued by lower middle market companies. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender s liability claim, including as a result of actions taken in rendering significant managerial assistance.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company s remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

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If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets. See Regulation.

We believe that substantially all of our investments will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position).

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

We generally will not control our portfolio companies.

We do not, and do not expect to, control most of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

Defaults by our portfolio companies will harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Changes in interest rates may affect our cost of capital and net investment income.

Most of our debt investments will bear interest at fixed rates and the value of these investments could be negatively affected by increases in market interest rates. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates.

We may not realize gains from our equity investments.

Certain investments that we have made in the past and may make in the future include warrants or other equity securities. In addition, we make direct equity investments in companies. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these puts rights for the consideration provided in our investment documents if the issuer is in financial distress.

Risks Relating to this Offering and Our Common Stock

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms in the timeframe contemplated by this prospectus.

Delays in investing the net proceeds of this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it may take us up to 18 months to invest substantially all of the net proceeds of this offering in securities meeting our investment objective. During this period, we will invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during this period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of this offering are invested in securities meeting our investment objective, the market price for our common stock may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

Shares of closed-end investment companies, including business development companies, may trade at a discount to their net asset value.

Shares of closed-end investment companies, including business development companies, may trade at a discount from net asset value. This characteristic of closed-end investment companies and business development companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value.

Investing in our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

Investors in this offering are likely to incur immediate dilution upon the closing of this offering.

In connection with the formation transactions, we will issue common stock equal to approximately $40.9 million, which represents the net asset value of Main Street Mezzanine Fund as of December 31, 2006, as reduced for certain cash distributions made to its partners in January 2007 related to realized gains, to the Limited Partners in exchange for their respective interests, as described in the section entitled Formation; Business Development Company and Regulated Investment Company Elections . However, the formation transactions will not take place until immediately prior to our election to be treated as a business development company under the 1940 Act and the closing of the initial public offering. On the closing date of the formation transactions, the actual net asset value of Main Street Mezzanine Fund may be greater or less than the net asset value of Main Street Mezzanine Fund as of December 31, 2006 used to determine the number of shares of common stock that the Limited Partners will receive in connection with the formation transactions. If, on the closing date of the formation transactions, the net asset value of Main Street Mezzanine Fund has decreased from its value as of December 31, 2006, the Limited Partners will receive more shares of common stock than they would have if the net asset value was determined closer to the time of the closing date for the formation transactions.

Furthermore, after giving effect to the sale of our common stock in this offering at an assumed initial public offering price of $15.00 per share, and after deducting estimated underwriting discounts and estimated offering and formation transaction expenses payable by us, our as-adjusted pro forma net asset value as of June 30, 2007, would have been approximately $128.3 million, or $13.47 per share. This represents an immediate increase in our net asset value per share of $0.25 to Limited Partners, the members of the General Partner and the members of the Investment Adviser and dilution in net asset value per share of $1.53 to new investors who purchase shares in this offering. See Dilution for more information.

We have not identified specific investments in which to invest all of the proceeds of this offering.

As of the date of this prospectus, we have not entered into definitive agreements for any specific investments in which to invest the net proceeds of this offering. Although we are and will continue to evaluate and seek new investment opportunities, you will not be able to evaluate prior to your purchase of common stock in this offering the manner in which we will invest the net proceeds of this offering, or the economic merits of any new investment.

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The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs, business development companies or SBICs;
- inability to obtain certain exemptive relief from the SEC;
- loss of RIC status or Main Street Mezzanine Fund s status as an SBIC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our key personnel; and
- general economic trends and other external factors.

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of our shares will not decline following the offering.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price of our common stock was determined through negotiations among us and the underwriters. We cannot assure you that a trading market will develop for our common stock after this offering or, if one develops, that such trading market can be sustained. Initially, the market for our common stock will be extremely limited. Following this offering, sales of substantial amounts of our common stock or the availability of such shares for sale, could adversely affect the prevailing market prices for our common stock.

In connection with the formation transactions, the former Limited Partners and members of the General Partner and the Investment Adviser will receive restricted common stock in consideration for their respective equity interests in such entities. See Formation; Business Development Company and Regulated Investment Company Elections-Formation Transactions. This stock may be transferred subject to certain terms and limitations under Rule 144 (a non-exclusive resale exemption under the Securities Act of 1933) following the first anniversary of issuance. Moreover, we have agreed to use reasonable best efforts to register the resale of this restricted stock as soon as practicable following the first anniversary of the closing of this offering. Thus, this restricted stock represents a significant overhang, and significant sales of this stock, once it becomes tradable following the first anniversary of the closing, could have an adverse affect on the price of our shares. Any such adverse effects upon our share price could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

Provisions of the Maryland General Corporation Law and our articles of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. We will be covered by the Business Combination Act of the Maryland General Corporation Law to the extent that such statute is not superseded by applicable requirements of the 1940 Act. However, our Board of Directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any person to the extent that such business combination receives the prior approval of our Board of Directors, including a majority of our directors who are not interested

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persons as defined in the 1940 Act. If the applicable board resolution is repealed following such period of time or our Board of Directors does not otherwise approve a business combination, the Business Combination Act and the Control Share Acquisition Act (if we amend our bylaws to be subject to that Act) may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

In addition, our Board of Directors may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. See Description of Capital Stock. Subject to compliance with the 1940 Act, our Board of Directors may, without stockholder action, amend our articles of incorporation to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus may include statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

In addition, words such as anticipate, believe, expect and intend indicate a forward-looking statement, although not forward-looking statements include these words. The forward-looking statements contained in this prospectus involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this prospectus. Other factors that could cause actual results to differ materially include:

- changes in the economy;
- risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this prospectus, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

FORMATION; BUSINESS DEVELOPMENT COMPANY AND REGULATED INVESTMENT COMPANY ELECTIONS

Formation Transactions

Prior to the closing of this offering and the transactions described below, investments were made by Main Street Mezzanine Fund, LP, a privately-held Delaware limited partnership which holds a license as an SBIC. Prior to the closing of this offering, Main Street Mezzanine Fund had 98 limited partners, and a general partner, Main Street Mezzanine Management, LLC, or the General Partner. Main Street Mezzanine Fund s investments have been managed by Main Street Capital Partners, LLC, or the Investment Adviser, pursuant to a management services agreement between the Investment Adviser and Main Street Mezzanine Fund.

The Investment Adviser also serves as the manager and investment adviser for Main Street Capital II, LP, which also holds an SBIC license. We will not acquire any interest in Main Street Capital II in connection with the transactions described below but the Investment Adviser will continue to act as the manager and investment adviser to Main Street Capital II subsequent to such transactions.

Main Street Capital Corporation was incorporated as a Maryland corporation on March 9, 2007, for the purpose of acquiring Main Street Mezzanine Fund, the General Partner and the Investment Adviser, raising capital in this offering and thereafter operating as an internally managed business development company under the 1940 Act. Upon the closing of this offering, we will own and operate Main Street Mezzanine Fund through the corporate structure described below.

On May 10, 2007, we entered into acquisition agreements with Main Street Mezzanine Fund, the General Partner and the Investment Adviser to effect the following transactions. Pursuant to these acquisition agreements, immediately prior to our election to be treated as a business development company under the 1940 Act and the closing of this offering, we will consummate the following formation transactions to create an internally-managed operating structure which we believe will align the interests of management and stockholders and also enhance our net investment income, net cash flow from operations and dividend-paying potential:

Pursuant to a merger agreement that has received the approval of the General Partner and over 95% of the limited partners of Main Street Mezzanine Fund, or the Limited Partners, we will acquire 100.0% of the limited partnership interests in Main Street Mezzanine Fund for $40.9 million (which represents the audited net asset value of Main Street Mezzanine Fund as of December 31, 2006, less cash distributed to partners in January 2007 related to realized gains). We will issue to the Limited Partners shares of common stock valued at $40.9 million in exchange for their limited partnership interests. The $40.9 million valuation represents a 54.4% premium over the total capital contributions made by the Limited Partners to Main Street Mezzanine Fund as a result of Main Street Mezzanine Fund s cumulative retained earnings as well as the net unrealized appreciation recorded in the value of the investments held by Main Street Mezzanine Fund. The aggregate number of shares issuable to the Limited Partners will be determined by dividing $40.9 million by the initial public offering price per share. The shares issuable to the Limited Partners under the agreement will be allocated among the Limited Partners in proportion to the respective limited partnership interests held by the Limited Partners.

We will acquire from the members of the General Partner 100.0% of their equity interests in the General Partner and, consequently, 100.0% of the general partnership interest in Main Street Mezzanine Fund for $9.0 million. We will issue to the members of the General Partner shares of common stock valued at $9.0 million in exchange for their equity interests in the General Partner. The aggregate number of shares issuable to the members of the General Partner will be determined by dividing $9.0 million by the initial public offering price per share. Under the current agreement of limited partnership, or partnership agreement, of Main Street Mezzanine Fund, the General Partner is entitled to 20.0% of Main Street Mezzanine Fund s profits and related distributions. We refer to the General Partner s right to receive such profits and related distributions as carried interest. The consideration being received by the members of the General Partner is based largely on the estimated present value of the 20.0% carried interest in Main

Street Mezzanine Fund and comparable public market transactions, and was determined using industry standard valuation methodologies that we believe are reasonable and supportable.

In addition to serving as the general partner of Main Street Mezzanine Fund, the General Partner holds partnership interests in Main Street Mezzanine Fund equaling 0.7% of the total partnership interests.

We will acquire from the members of the Investment Adviser 100.0% of their equity interests in the Investment Adviser for $18.0 million. We will issue to the members of the Investment Adviser shares of common stock valued at $18.0 million in exchange for their equity interests in the Investment Adviser. The aggregate number of shares issuable to the members of the Investment Adviser will be determined by dividing $18.0 million by the initial public offering price per share. The consideration payable to the members of the Investment Adviser is based on the estimated present value of net distributable income related to the management fees to which the Investment Advisor is entitled to receive pursuant to certain agreements and comparable public market transactions, and was determined using industry standard valuation methodologies that we believe are reasonable and supportable.

In connection with the determination of the fair value of the investments held by Main Street Mezzanine Fund at December 31, 2006, the value of the equity interests in the General Partner and value of the equity interests in the Investment Advisor, the General Partner engaged Duff & Phelps LLC, and independent valuation firm (Duff & Phelps), to provide third party valuation consulting services which consisted of certain mutually agreed limited procedures that the General Partner identified and requested Duff & Phelps to perform (hereinafter referred to as the Procedures). Upon completion of the Procedures, Duff and Phelps concluded that the fair value of the investments and the value of the equity interests subjected to the Procedures, as determined by the General Partner, did not appear unreasonable. Duff & Phelps performance of the Procedures did not constitute an opinion or recommendation as to the formation transactions. See also Business Valuation Process and Determination of Net Asset Value and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Investment Valuation.

Under two separate management services agreements with Main Street Mezzanine Fund and Main Street Capital II, the Investment Adviser receives management fees from both Main Street Mezzanine Fund and Main Street Capital II. Until September 30, 2007, the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Mezzanine Fund equal to 0.625% (2.5% annualized) of the sum of (i) the amount of qualifying private capital contributed or committed to Main Street Mezzanine Fund, (ii) any SBA permitted return of capital distributions made by Main Street Mezzanine Fund to its limited partners and (iii) an amount equal to two times qualifying private capital, representing the SBIC leverage available to Main Street Mezzanine Fund. After September 30, 2007, the Investment Adviser is entitled to receive a quarterly management fee from Main Street Mezzanine Fund equal to 0.625% (2.5% annualized) of the sum of (i) the amount of private capital contributed to Main Street Mezzanine Fund and (ii) the actual outstanding SBIC leverage of Main Street Mezzanine Fund. In connection with the formation transactions, the quarterly management fee from Main Street Mezzanine Fund will be adjusted to equal 0.625% (2.5% annualized) multiplied by the cost basis of active investments.

From January 1, 2006 until December 31, 2010 (or an earlier date if Main Street Capital II receives 80.0% or greater of its combined private funding and SBIC leverage), the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Capital II equal to 0.5% (2.0% annualized) of the sum of (i) the amount of qualifying private capital contributed or committed to Main Street Capital II, (ii) any SBA permitted return of capital distributions made by Main Street Capital II to its limited partners and (iii) an amount equal to two times qualifying private capital, SBIC leverage available to Main Street Capital II. Thereafter, the Investment Adviser is entitled to receive a quarterly management fee, paid in advance, from Main Street Capital II equal to 0.5% (2.0% annualized) of the total cost of all active portfolio investments of Main Street Capital II.

Pursuant to the applicable management fee provisions discussed above and the existing capital committed to both funds, the Investment Adviser is entitled to receive management fees of

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approximately $2 million and $3.2 million from Main Street Mezzanine Fund and Main Street Capital II, respectively, for the year ending December 31, 2007.

Prior to the closing of the formation transactions, the Investment Advisor will compensate its personnel and its members consistent with past practices, including paying bonus compensation of substantially all accumulated net earnings. After the closing of the formation transactions, the personnel of the Investment Advisor will be compensated as determined by the management of Main Street and the Compensation Committee of its Board of Directors.

The following diagram depicts our organizational structure upon completion of this offering and the formation transactions described elsewhere in this prospectus:

(1) Based on 9,525,674 shares of common stock to be outstanding after this offering and completion of the formation transactions described elsewhere in this prospectus. Does not include 750,000 shares of common stock issuable pursuant to the underwriters over-allotment option.

Because the SBA prohibits, without prior SBA approval, a change of control of an SBIC or issuances or transfers that would result in any person (or group of persons acting in concert) owning 10.0% or more of a class of stock of an SBIC, the formation transactions described above and this offering require the written consent of the SBA. Main Street Mezzanine Fund has received approval from the SBA for the formation transactions, subject only to receipt by the SBA of final transaction documents. Main Street Mezzanine Fund intends to continue to hold its SBIC license upon the closing of this offering and be subject to the rules and regulations of the SBIC Program.

Business Development Company and Regulated Investment Company Elections

In connection with this offering, we will file an election to be regulated as a business development company under the 1940 Act. In addition, we intend to elect to be treated as a RIC under Subchapter M of the Code, effective as of the date of our formation. Our election to be regulated as a business development company and our election to be treated as a RIC will have a significant impact on our future operations. Some of the most important effects on our future operations of our election to be regulated as a business development company and our election to be treated as a RIC are outlined below.

We will report our investments at market value or fair value with changes in value reported through our statement of operations.

In accordance with the requirements of Article 6 of Regulation S-X, we will report all of our investments, including debt investments, at market value or, for investments that do not have a readily available market value, at their fair value as determined by our Board of Directors. Changes in these values will be reported through our statement of operations under the caption entitled total net change in unrealized appreciation (depreciation) from investments. See Business Valuation Process and Determination of Net Asset Value.

Our ability to enter into and exit investment transactions with Main Street Capital II may be restricted.

Since January 2006, Main Street Mezzanine Fund has co-invested with Main Street Capital II in lower middle market companies. Each such investment was made at the same time and on the same terms. In connection with our election to be regulated as a business development company, neither we nor Main Street Mezzanine Fund will be permitted to co-invest with Main Street Capital II in certain types of negotiated investment transactions unless we receive an order from the SEC permitting us to do so. Moreover, we may be limited in our ability to make follow-on investments or liquidate our existing investments in such companies. Although we have applied to the SEC for exemptive relief to permit such co-investment and liquidity transactions, subject to certain conditions, we cannot be certain that our application for such relief will be granted or what conditions will be placed on such relief.

We generally will be required to pay income taxes only on the portion of our taxable income we do not distribute to stockholders (actually or constructively).

As a RIC, so long as we meet certain minimum distribution, source-of-income and asset diversification requirements, we generally will be required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains, if any.

Our ability to use leverage as a means of financing our portfolio of investments will be limited.

As a business development company, we will be required to meet a coverage ratio of total assets to total senior securities of at least 200.0%. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Additionally, our ability to continue to utilize leverage as a means of financing our portfolio of investments will be limited by this asset coverage test. In connection with this offering and our intended election to be regulated as a business development company, we have filed a request with the SEC for exemptive relief to allow us to exclude any indebtedness guaranteed by the SBA and issued by Main Street Mezzanine Fund from the 200.0% asset coverage requirements applicable to us. While the

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SEC has granted exemptive relief in substantially similar circumstances in the past, no assurance can be given that an exemptive order will be granted.

We intend to distribute substantially all of our income to our stockholders.

As a RIC, we intend to distribute to our stockholders substantially all of our income, except possibly for certain net long-term capital gains. We may make deemed distributions to our stockholders of some or all of our retained net long-term capital gains. If this happens, you will be treated as if you had received an actual distribution of the capital gains and reinvested the net after-tax proceeds in us. In general, you also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the deemed distribution. See Material U.S. Federal Income Tax Considerations.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $68 million, or approximately $78 million if the underwriters fully exercise their over-allotment option, in each case assuming an initial public offering price of $15.00 per share, after deducting the underwriting discount and estimated offering and formation transaction expenses of approximately $2 million.

We intend to use all of the net proceeds from this offering to make investments in lower middle market companies in accordance with our investment objective and strategies described in this prospectus, pay our operating expenses and dividends to our stockholders, and for general corporate purposes. Based on current market conditions, we anticipate that it may take up to 18 months to fully invest the net proceeds we receive in connection with this offering, depending on the availability of investment opportunities that are consistent with our investment objective and strategies. However, if market conditions change, it may take us longer than 18 months to fully invest the net proceeds from this offering. Pending such use, we will invest the net proceeds primarily in short-term securities consistent with our business development company election and our election to be taxed as a RIC. See Regulation Temporary Investments.

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DIVIDENDS

We intend to pay quarterly dividends to our stockholders following our election to be taxed as a RIC, which we intend will be effective as of the date of our formation. Our quarterly dividends, if any, will be determined by our Board of Directors. We expect to declare our initial quarterly dividend in November 2007, and pay the dividend on or before December 31, 2007.

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98.0% of our net ordinary income for the calendar year, (2) 98.0% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years. We may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, you will be treated as if you had received an actual distribution of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, you also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. Please refer to Material U.S. Federal Income Tax Considerations for further information regarding the consequences of our retention of net capital gains. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See Regulation and Material U.S. Federal Income Tax Considerations.

We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends. See Dividend Reinvestment Plan.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2007:

- on an actual unaudited basis; and

- on a pro forma as adjusted basis to reflect the issuance by us of shares of common stock in the formation transactions and the sale by us of 5,000,000 shares of common stock in this offering at an assumed initial public offering price of $15.00 per share, after deducting the estimated underwriting discounts and estimated offering and formation transaction expenses payable by us.

This table assumes no exercise of the underwriters over-allotment option of shares. You should read this table together with Use of Proceeds and our balance sheet included elsewhere in this prospectus.

	As of June 30, 2007	
	Actual	Pro Forma As Adjusted
	(Unaudited) (*dollars in thousands*)	
Cash and cash equivalents	$ 17,663	$ 85,868
Borrowings (SBA-guaranteed debentures payable)	$ 55,000	$ 55,000
Equity:		
Members equity and partners capital	41,843	
Common stock, $0.01 par value per share; no shares authorized, no shares issued and outstanding, actual (150,000,000 shares authorized; 9,525,674 shares issued and outstanding, as adjusted)		95
Additional paid-in capital/Undistributed Earnings		128,193
Total members equity and partners capital/stockholders equity	41,843	128,288
Total capitalization	$ 96,843	$ 183,288

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PRO FORMA AS ADJUSTED BALANCE SHEET

The following unaudited pro forma as adjusted balance sheet is based on the historical unaudited combined balance sheet of Main Street Mezzanine Fund and the General Partner as of June 30, 2007, included elsewhere in this prospectus and pro forma as adjusted to give effect to the completion of the formation transactions and the initial public offering discussed in this prospectus.

	Main Street Mezzanine Fund and General Partner Historical Balance Sheet as of June 30, 2007	Adjustments for Formation Transactions(1)(2)	Pro Forma Main Street Mezzanine Fund and General Partner(2)	Initial Public Offering Adjustments(3)	Pro Forma Main Street Mezzanine Fund and General Partner As Adjusted(4)
	(dollars in thousands)				
Assets:					
Investments at fair value	$ 81,107	$	$ 81,107	$	$ 81,107
Investment affiliate operating company		18,000	18,000		18,000
Accumulated unearned income	(2,523)		(2,523)		(2,523)
Total investments net of accumulated unearned income	78,584	18,000	96,584		96,584
Cash and cash equivalents	17,663		17,663	68,205	85,868
Deferred financing costs, net	1,484		1,484		1,484
Interest receivable and other assets	628		628		628
Deferred offering costs	698		698	(698)	
Total Assets	$ 99,057	$ 18,000	$ 117,057	$ 67,507	$ 184,564
Liabilities and Members Equity and Partners Capital:					
SBIC debentures	$ 55,000	$	$ 55,000	$	$ 55,000
Interest payable	1,017		1,017		1,017
Accounts payable-offering costs	938		938	(938)	
Accounts payable and other liabilities	259		259		259
Total Liabilities	57,214		57,214	(938)	56,276
Members equity (General Partner) and partners capital contributions	41,843	(41,843)			
		45	45	50	95

Common stock, $0.01 par value per share; 150,000,000 shares authorized; 4,525,674 and 9,525,674 shares issued and outstanding, for pro forma and pro forma as adjusted, respectively					
Additional paid-in capital/undistributed earnings		59,798	59,798	68,395	128,193
Total members equity and partners capital/stockholders equity	41,843	18,000	59,843	68,445	128,288
Total liabilities and members equity and partners capital/stockholders equity	$ 99,057	$ 18,000	$ 117,057	$ 67,507	$ 184,564
Shares outstanding			4,525,674		9,525,674
Net asset value per share			$ 13.22		$ 13.47

(1) The formation transactions consist of (i) the issuance of 2,725,674 shares of common stock representing $40.9 million in total value to the Limited Partners for all of their limited partnership interests, (ii) the issuance of 600,000 shares of common stock, representing $9.0 million in total value, to the members of the General Partner for all of their equity interests in the General Partner and (iii) the issuance of 1,200,000 shares of common stock, representing $18.0 million in total value, to the members of the Investment Adviser for all of their equity interests in the Investment Adviser.

(2) The acquisition of the Investment Adviser pursuant to the formation transactions is reflected in the pro forma balance sheet as an investment in affiliate operating company. The management activities of the Investment Adviser include investment management activities for both Main Street Mezzanine Fund and for Main Street Capital II. Therefore, the Investment Adviser does not conduct substantially all of its investment management activities for Main Street Mezzanine Fund.

(3) The Initial Public Offering Adjustments consist of the sale of 5,000,000 shares of common stock at $15.00 per share in an initial public offering, net of underwriting discounts and offering and formation transaction expenses, assuming no shares are sold in the directed share program described in Underwriting - Directed Share Program.

(4) Pro Forma Main Street Mezzanine Fund and General Partner As Adjusted reflects the historical combined balance sheet of Main Street Mezzanine Fund and the General Partner as of June 30, 2007, as adjusted for the completion of the formation transactions and the initial public offering.

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The following unaudited pro forma financial information is based upon the historical financial statements of Main Street Mezzanine Fund, LP and the General Partner for the periods presented included elsewhere in this prospectus, as hypothetically adjusted to give effect to the consummation of the formation transactions.

	Years Ended December 31, 2004	2005	2006	Six Months Ended June 30, 2007	Pro Forma Adjustments for Formation Transactions	Pro Forma for Formation Transactions
	(dollars in thousands)					
Total return to the General Partner[1]	436.2%	243.8%	184.6%	16.6%	N/A	6,622.2%[2]
Total return to the Limited Partners[1]	23.9%	37.9%	39.9%	6.3%	N/A	75.3%[2]
Net asset value allocation to the General Partner	$ 663	$ 1,755	$ 3,850	$ 3,546	$ 5,454[3]	$ 9,000
Net asset value allocation to the Limited Partners	16,575	31,514	39,423	38,297	(5,454)[3]	32,843
Total net asset value	$ 17,238	$ 33,269	$ 43,273	$ 41,843	$	$ 41,843

(1) Total returns based on the change in net asset values were calculated using the sum of the ending net asset value for the period plus the distributions to members (General Partner) or partners (Limited Partners) during the period less capital contributions during the period, as divided by the beginning net asset value. Total returns for the interim period are not annualized.

(2) These total returns were based on approximately $26.5 million and $0.2 million, respectively, of total cumulative contributions from Limited Partners and the General Partner. The pro forma total returns also include a hypothetical adjustment related to the acquisition of the General Partner interests as part of the formation transactions. The Limited Partners and the General Partner have received total cumulative cash distributions of approximately $13.3 million and $3.3 million, respectively, through June 30, 2007.

(3) These adjustments represent a hypothetical change in relative net asset value related to the acquisition of the General Partner interests as part of the formation transactions.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as-adjusted pro forma net asset value per share of our common stock immediately after the completion of this offering.

Our net asset value as of June 30, 2007, was $41.8 million. Our pro forma net asset value, as of June 30, 2007, would have been $13.22 per share. We determined our pro forma net asset value per share before this offering by dividing the net asset value (total assets less total liabilities) as of June 30, 2007, by the pro forma number of shares of common stock outstanding as of June 30, 2007, after giving effect to the formation transactions occurring immediately prior to our election to be treated as a business development company under the 1940 Act and this offering. See Formation; Business Development Company and Regulated Investment Company Elections Formation Transactions.

After giving effect to the sale of our common stock in this offering at an assumed initial public offering price of $15.00 per share, the application of the net proceeds from this offering as set forth in Use of Proceeds and after deducting estimated underwriting discounts and commissions and estimated offering and formation transaction expenses payable by us, our as-adjusted pro forma net asset value as of June 30, 2007 would have been $128.3 million, or $13.47 per share. This represents an immediate increase in our net asset value per share of $0.25 to existing stockholders and dilution in net asset value per share of $1.53 to new investors who purchase shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$ 15.00
Pro forma net asset value per share after giving effect to the formation transactions	$ 13.22	
Increase in net asset value per share attributable to new investors in this offering	$ 0.25	
As-adjusted pro forma net asset value per share after this offering		$ 13.47
Dilution per share to new investors[1]		$ 1.53

(1) To the extent the underwriters over-allotment option is exercised, there will be further dilution to new investors.

The following table summarizes, as of June 30, 2007, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering assuming an initial public offering price of $15.00 per share, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	per Share
Existing stockholders[1]	4,525,674	47.5%	$ 59,842,866	44.4%	$ 13.22
New investors	5,000,000	52.5	75,000,000	55.6	$ 15.00
Total	9,525,674	100.0%	$ 134,842,866	100.0%	

(1) Reflects the formation transactions that we expect to occur immediately prior to our election to be treated as a business development company under the 1940 Act and the closing of this offering.

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SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below reflects the combined operations of Main Street Mezzanine Fund and the General Partner. The selected financial data at December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006, have been derived from combined financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data at December 31, 2002, 2003 and 2004 and for the years ended December 31, 2002 and 2003 have been derived from unaudited combined financial statements. The selected financial and other data for the six months ended June 30, 2006 and June 30, 2007, and as of June 30, 2006 and June 30, 2007, have been derived from unaudited financial data but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results as of and for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. You should read this selected financial and other data in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto.

	Years Ended December 31,					Six Months Ended June 30,	
	2002[1]	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**
	(Unaudited)	**(Unaudited)**				**(Unaudited)**	
	(dollars in thousands)						
Income statement data:							
Investment income:							
Total interest, fee and dividend income	$ 431	$ 3,397	$ 4,452	$ 7,338	$ 9,013	$ 4,574	$ 5,181
Interest from idle funds and other	5	7	9	222	749	368	374
Total investment income	436	3,404	4,461	7,560	9,762	4,942	5,555
Expenses:							
Management fees to affiliate	439	1,722	1,916	1,929	1,942	968	1,000
Interest		113	869	2,064	2,717	1,349	1,547
Organizational expenses	237						
General and administrative	42	135	184	197	198	104	172
Professional costs related to offering							695
Total expenses	718	1,970	2,969	4,190	4,857	2,421	3,414
Net investment income	(282)	1,434	1,492	3,370	4,905	2,521	2,141
Total net realized gain (loss) from investments		(225)	1,171	1,488	2,430	181	597
Net realized income	(282)	1,209	2,663	4,858	7,335	2,702	2,738
		300	1,764	3,032	8,488	3,699	372

Total net change in unrealized appreciation (depreciation) from investments														
Net increase (decrease) in members equity and partners capital resulting from operations	$	(282)	$	1,509	$	4,427	$	7,890	$	15,823	$	6,401	$	3,110

(1) Represents the period from inception (June 30, 2002) through December 31, 2002.

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	As of December 31,					As of June 30,	
	2002[(1)] (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2005	2006	2006 (Unaudited)	2007
	(dollars in thousands)						
Balance sheet data:							
Assets:							
Total investments at fair value	$ 7,265	$ 19,920	$ 40,733	$ 53,795	$ 76,209	$ 71,922	$ 81,107
Accumulated unearned income	(1,500)	(1,972)	(2,761)	(2,603)	(2,498)	(2,953)	(2,523)
Total investments net of accumulated unearned income	5,765	17,948	37,972	51,192	73,711	68,969	78,584
Cash and cash equivalents	4,300	1,537	796	26,261	13,769	12,999	17,663
Deferred financing costs, net of accumulated amortization		416	984	1,442	1,333	1,413	1,484
Interest receivable and other assets	70	266	262	439	630	405	628
Deferred offering costs							698
Total assets	$ 10,135	$ 20,167	$ 40,014	$ 79,334	$ 89,443	$ 83,786	$ 99,057
Liabilities and members equity and partners capital:							
SBIC debentures	$	$ 5,000	$ 22,000	$ 45,100	$ 45,100	$ 45,100	$ 55,000
Interest payable		60	354	771	855	855	1,017
Accounts payable-offering costs							938
Accounts payable and other liabilities	59	139	422	194	216	39	259
Total liabilities	59	5,199	22,776	46,065	46,171	45,994	57,214
Total members equity and partners capital	10,076	14,968	17,238	33,269	43,272	37,792	41,843
Total liabilities and members equity and partners capital	$ 10,135	$ 20,167	$ 40,014	$ 79,334	$ 89,443	$ 83,786	$ 99,057
Other data:							
Weighted average effective yield on debt	18.9%	16.2%	15.3%	15.3%	15.0%	15.2%	14.7%

investments[2]							
Number of portfolio companies	2	8	14	19	24	24	25
Expense ratios (as percentage of average net assets):							
Operating expenses[3]	14.2%	12.3%	13.7%	9.0%	5.5%	3.0%	4.4%
Interest expense		0.7%	5.7%	8.8%	7.0%	3.8%	3.7%

(1) Represents the period from inception (June 30, 2002) through December 31, 2002.

(2) Weighted average effective yield is calculated based upon our debt investments at the end of each period and includes amortization of deferred debt origination fees.

(3) The six months ended June 30, 2007 ratio includes the impact of professional costs related to this offering. These costs were 37.3% of operating expenses for that period.

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

The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Risk Factors and Special Note Regarding Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the financial statements and related notes and other financial information appearing elsewhere in this prospectus.

Overview

We are a specialty investment company focused on providing customized debt and equity financing to lower middle market companies that operate in diverse industries. Since our wholly-owned subsidiary, Main Street Mezzanine Fund, was formed in 2002, it has funded over $100 million of debt and equity investments. See the Portfolio Companies section for further information on our current investments. We seek to fill the current financing gap for lower middle market businesses, which have limited access to financing from commercial banks and other traditional sources. The underserved nature of the lower middle market creates the opportunity for us to meet the financing requirements of lower middle market companies while also negotiating favorable transaction terms and equity participations.

Since commencing investment operations in 2002, Main Street Mezzanine Fund has invested primarily in secured debt instruments, equity investments, warrants and other securities of lower middle market companies based in the United States. Main Street Mezzanine Fund is licensed as an SBIC by the SBA. Main Street Mezzanine Management, LLC, or the General Partner, has been the general partner of Main Street Mezzanine Fund since its inception and Main Street Capital Partners, LLC, or the Investment Adviser, has acted as Main Street Mezzanine Fund s manager and investment adviser. The Investment Adviser also acts as the manager and investment adviser to Main Street Capital II, LP, a separate SBIC which commenced its investment operations in January 2006. The Investment Adviser receives a management fee pursuant to separate management service agreements with both Main Street Mezzanine Fund and Main Street Capital II. Immediately prior to our election to be treated as a business development company under the 1940 Act and the consummation of this offering, we will acquire all of the outstanding equity interests of Main Street Mezzanine Fund, the General Partner and the Investment Adviser through the formation transactions. We will not acquire any interest in Main Street Capital II in connection with such transactions, but the Investment Adviser will continue to act as the manager and investment adviser to Main Street Capital II. For the year ending December 31, 2007, the Investment Adviser will be entitled to receive management fees from Main Street Capital II of $3.2 million.

Our financial statements reflect the combined operations of Main Street Mezzanine Fund and the General Partner prior to the formation transactions described elsewhere in this prospectus.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions affecting amounts reported in the financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

Investment Valuation

The most significant estimate inherent in the preparation of our combined financial statements is the valuation of our investments and the related amounts of unrealized appreciation and depreciation. We are required to report our investments at fair value.

As of June 30, 2007, approximately 82% of our total assets represented investments in portfolio companies valued at fair value. We base the fair value of our investments on the enterprise value of the portfolio companies in which we invest. The enterprise value is the value at which an enterprise could be sold in a transaction between two willing parties other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for determining enterprise value and 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 determining the enterprise value of a portfolio company, we analyze various factors, including the portfolio company s historical and projected financial results. We also generally prepare and analyze discounted cash flow models based on its projections of the future free cash flows of the business and industry derived cost of capital. We review external events, including private mergers and acquisitions, and include these events in the enterprise valuation process.

Due to the inherent uncertainty in the valuation process, our estimate 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 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 different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

If there is adequate enterprise value to support the repayment of the debt, the fair value of our loan or debt security normally corresponds to cost plus accumulated unearned income unless the borrower s condition or other factors lead to a determination of fair value at a different amount. The fair value of equity interests in portfolio companies is determined based on various factors, including revenues, EBITDA and cash flow from operations of the portfolio company and other pertinent factors such as recent offers to purchase a portfolio company s securities, financing events or other liquidation events.

In connection with the determination of the fair value of the investments at December 31, 2006 and June 30, 2007, the General Partner engaged Duff & Phelps, LLC, an independent valuation firm (Duff & Phelps), to provide third party valuation consulting services which consisted of certain mutually agreed limited procedures that the General Partner identified and requested Duff and Phelps to perform (hereinafter referred to as the Procedures). For the year ended December 31, 2006, the General Partner asked Duff & Phelps to perform the Procedures on investments in 22 portfolio companies comprising approximately 99.0% of the total investments at fair value as of December 31, 2006. For the quarters ended March 31, 2007 and June 30, 2007, the General Partner asked Duff & Phelps to perform the Procedures on investments in 6 portfolio companies during each quarter comprising approximately 35.0% and 19.0%, respectively, of the total investments at fair value as of March 31, 2007 and June 30, 2007. Upon completion of the Procedures, Duff & Phelps concluded that the fair value, as determined by the General Partner, of those investments subjected to the Procedures did not appear to be unreasonable. The General Partner is ultimately and solely responsible for determining the fair value of the investments in good faith. See also Business Valuation Process and Determination of Net Asset Value for a discussion of our valuation process and for a description of the Procedures performed by Duff & Phelps.

Revenue Recognition

Interest and Dividend Income

Interest income, adjusted for amortization of premium and accretion of original issue discount, is recorded on the accrual basis to the extent that such amounts are expected to be collected. We stop accruing interest on investments and write off any previously accrued and uncollected interest when it is determined that interest is no longer collectible. Distributions from portfolio companies are recorded as dividend income when the distribution is received.

Fee Income

We may periodically provide services, including structuring and advisory services, to our portfolio companies. We recognize income from fees for providing such structuring and advisory services when the services are rendered or the transactions completed. We also receive upfront debt origination or closing fees in connection with our debt investments. Such upfront debt origination and closing fees are capitalized as unearned income on our balance sheet and amortized as additional interest income over the life of the debt investment.

Payment-in-Kind Interest (PIK)

While not significant to our total debt investment portfolio, we currently hold several loans in our portfolio that contain a PIK interest provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain RIC tax treatment, this non-cash source of income will need to be paid out to stockholders in the form of distributions, even though we have not yet collected the cash. We will stop accruing PIK interest and write off any accrued and uncollected interest when it is determined that PIK interest is no longer collectable.

Portfolio Composition

Investments principally consist of secured debt, equity warrants and direct equity investments in privately-held companies. The debt investments are secured by either a first or second lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally mature between five and seven years from original investment.

Summaries of the composition of our investment portfolio at cost and fair value as a percentage of total investments are shown in following table:

	December 31,		**June 30,**
Cost:	**2005**	**2006**	**2007 (Unaudited)**
First lien debt	69.9%	77.1%	82.3%
Second lien debt	20.4	11.8%	7.3
Equity	5.2	7.6%	7.9
Equity warrants	4.5	3.5%	2.5
	100.0%	100.0%	100.0%

	December 31,		**June 30,**
Fair Value:	**2005**	**2006**	**2007 (Unaudited)**
First lien debt	62.7%	63.9%	68.9%
Second lien debt	18.5%	9.7%	6.0%
Equity	6.8%	12.6%	16.8%
Equity warrants	12.0%	13.8%	8.3%

	100.0%	100.0%	100.0%

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The following table shows the portfolio composition by geographic region at cost and fair value as a percentage of total investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

	December 31,		June 30,
Cost:	**2005**	**2006**	**2007**
			(Unaudited)
Southwest	66.6%	39.9%	39.1%
West	14.3	24.8	31.1
Northeast	19.1	14.7	13.8
Southeast		13.8	9.0
Midwest		6.8	7.0
	100.0%	100.0%	100.0%

	December 31,		June 30,
Fair Value:	**2005**	**2006**	**2007**
			(Unaudited)
Southwest	69.0%	47.2%	46.4%
West	12.7	20.8	26.9
Northeast	18.3	11.1	12.4
Southeast		13.1	7.1
Midwest		7.8	7.2
	100.0%	100.0%	100.0%

Set forth below are tables showing the industry composition of our portfolio at cost and fair value as of December 31, 2005 and 2006, and June 30, 2007 (excluding unearned income):

	December 31,		June 30,
Cost:	**2005**	**2006**	**2007**
			(Unaudited)
Manufacturing	%	15.1%	25.1%
Construction/industrial minerals	8.8	11.7	11.3
Distribution	5.6	11.6	6.6
Health care products	11.5	8.2	7.0
Transportation/logistics	8.9	9.6	8.3
Custom wood products	8.5	6.3	5.9
Restaurant	7.7	5.3	4.4
Electronics manufacturing	6.3	5.2	5.1
Health care services	6.4	5.0	7.1

Professional services	5.9	4.8	4.1
Retail		4.3	4.0
Building products	5.2	3.9	2.9
Consumer products	4.1	3.2	3.2
Equipment rental	10.9	2.9	2.9
Information services	5.3	2.4	1.6
Industrial services	4.9	0.5	0.5
Total	100.0%	100.0%	100.0%

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Fair Value:	December 31, 2005	December 31, 2006	June 30, 2007 (Unaudited)
Manufacturing	%	14.1%	21.5%
Construction/industrial minerals	11.1	15.9	15.5
Distribution	5.1	12.3	8.2
Health care products	11.8	8.3	7.4
Transportation/logistics	9.8	9.7	7.7
Restaurant	8.1	5.3	5.1
Custom wood products	7.7	5.2	4.9
Electronics manufacturing	6.6	4.9	4.9
Professional services	4.0	4.4	4.2
Health care services	5.8	4.1	5.9
Retail		3.6	3.3
Building products	5.2	3.2	2.4
Consumer products	3.7	2.5	2.5
Industrial services	6.5	2.4	2.7
Equipment rental	9.8	2.3	2.4
Information services	4.8	1.8	1.4
Total	100.0%	100.0%	100.0%

Our investments carry a number of risks including, but not limited to: (1) investing in lower middle market companies which have a limited operating history and financial resources; (2) holding investments that are not publicly traded and which may be subject to legal and other restrictions on resale and (3) other risks common to investing in below investment grade debt and equity investments in private, smaller companies.

Portfolio Asset Quality

We utilize an investment rating system for our entire portfolio of investments. Investment Rating 1 is used for investments that have exceeded expectations and with respect to which return of capital invested, collection of all interest, and a substantial capital gain are expected. Investment Rating 2 is used for investments that are performing in accordance with or above expectations and with respect to which the equity component, if any, has the potential to realize capital gain. Investment Rating 3 is used for investments that are generally performing in accordance with expectations and with respect to which a full return of original capital invested and collection of all interest is expected, but no capital gain can currently be foreseen. Investment Rating 4 is used for investments that are underperforming, have the potential for a realized loss and require closer monitoring. Investment Rating 5 is used for investments performing significantly below expectations and where we expect a loss.

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of December 31, 2005, December 31, 2006 and June 30, 2007:

Investment Rating	December 31, 2005 Investments at Fair Value	December 31, 2005 Percentage of Total Portfolio	December 31, 2006 Investments at Fair Value	December 31, 2006 Percentage of Total Portfolio	June 30, 2007 Investments at Fair Value (Unaudited)	June 30, 2007 Percentage of Total Portfolio (Unaudited)
	(dollars in thousands)					
1	$ 4,475	8.3%	$ 31,686	41.6%	$ 25,778	31.8%
2	27,256	50.7	23,581	30.9	24,986	30.8
3	21,421	39.8	15,094	19.8	24,607	30.3
4	100	0.2	5,848	7.7	5,736	7.1
5	543	1.0				
Totals	$ 53,795	100.0%	$ 76,209	100.0%	$ 81,107	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of December 31, 2005, December 31, 2006 and June 30, 2007 was approximately 2.3, 1.9 and 2.1, respectively. As of December 31, 2005, 2006 and June 30, 2007 other than one investment that had been impaired as of December 31, 2005, we had no debt investments that were delinquent on interest payments or which were otherwise on non-accrual status.

Discussion and Analysis of Results of Operations

Comparison of six months ended June 30, 2007 and June 30, 2006

Investment Income

For the six months ended June 30, 2007, total investment income was $5.6 million, a $0.7 million, or 12.4%, increase over the $4.9 million of total investment income for the six months ended June 30, 2006. The increase was primarily attributable to a $0.6 million increase in interest, fee and dividend income from investments. The increase in interest, fee and dividend income is primarily attributable to (i) higher average levels of outstanding debt investments, which was principally due to the closing of three new debt investments in the six months ended June 30, 2007 and several new debt investments in the last nine months of 2006, partially offset by debt repayments received during the same periods, and (ii) higher levels of dividend income from portfolio equity investments. The increases in interest and dividend income during the six months ended June 30, 2007 were partially offset by a decrease in fee income during the six months ended June 30, 2007.

Expenses

For the six months ended June 30, 2007, total expenses increased by approximately $1.0 million, or 41.0%, to approximately $3.4 million from $2.4 million for the six months ended June 30, 2006. The increase in total expenses excluding the professional costs related to offering was primarily attributable to a $0.2 million increase in interest expense as a result of the additional $9.9 million of SBIC Debentures borrowed during the six months ended June 30, 2007 and $0.7 million of professional costs related to this offering. The professional costs related to the proposed initial public offering of Main Street Capital Corporation that were deducted in determining the net increase in members equity and partners capital principally consisted of audit and review costs related to the financial statements contained in this prospectus as well as other offering-related professional fees. In addition, general and administrative expenses increased $0.1 million primarily attributable to an increase in transaction-related professional fees. The management fees paid to the Investment Adviser did not significantly change between periods.

Net Investment Income

As a result of the $0.6 million increase in total investment income as compared to the $1.0 million increase in total expenses, net investment income for the six months ended June 30, 2007, was $2.1 million, or a 15.1% decrease, compared to net investment income of $2.5 million during the six months ended June 30,

2006. Professional fees related to this offering represented $0.7 million of the $1.0 million increase in total expenses, or 20.4% of total expenses for the six months ended June 30, 2007.

Net Realized Income and Net Increase in Members   Equity and Partners   Capital Resulting From Operations

For the six months ended June 30, 2007, net realized gains from investments were $0.6 million, representing a $0.4 million increase over net realized gains during the six months ended June 30, 2006. The higher level of net realized gains during the six months ended June 30, 2007 principally related to realized gains on the sale or redemption of equity investments in two portfolio companies, partially offset by the realized loss on the disposition of two portfolio company equity investments.

The higher net realized gains in the six months ended June 30, 2007 partially offset by the lower net investment income during the same period resulted in a $0.1 million, or 1.3%, increase, in the net realized income for the six months ended June 30, 2007 compared with the comparable period in 2006.

During the six months ended June 30, 2007, we recorded a net change in unrealized appreciation in the amount of $0.4 million, or a $3.3 million decrease over the $3.7 million in net change in unrealized appreciation for the six months ended June 30, 2006. The lower level of net change in unrealized appreciation for the six months ended June 30, 2007 included unrealized appreciation on nine equity investments in portfolio companies, offset by unrealized depreciation on three equity investments and the reclassification of certain previously recognized unrealized gains into realized gains on three exited investments. The higher net change in unrealized appreciation for the six months ended June 30, 2006 was generally attributable to larger increases in net unrealized appreciation from the economic performance of our portfolio companies, and a lower amount of reclassifications related to previously recognized unrealized appreciation and depreciation into realized gains or losses on investments that were exited.

As a result of these events, our net increase in members   equity and partners   capital resulting from operations during the six months ended June 30, 2007, was $3.1 million, or a 51.4% decrease compared to a net increase in members equity and partners   capital resulting from operations of $6.4 million during the six months ended June 30, 2006.

Comparison of fiscal years ended December 31, 2006 and December 31, 2005

Investment Income

For the twelve months ended December 31, 2006, total investment income was $9.8 million, a $2.2 million, or 29.1%, increase over the $7.6 million of total investment income for the twelve months ended December 31, 2005. The increase was attributable to a $1.7 million increase in interest, fee and dividend income from investments and a $0.5 million increase in interest from idle funds. The increase in interest, fee and dividend income is primarily attributable to (i) higher average levels of outstanding debt investments, which was principally due to the closing of eight new debt investments totaling $24.7 million during 2006, partially offset by debt repayments in 2006, (ii) higher levels of fee income attributable to greater investment activity and (iii) the fact that several portfolio companies began paying dividends on our equity investments during the year. The increase in interest income from idle funds during 2006 was attributable to higher cash balances as a result of the final capital call by Main Street Mezzanine Fund from the Limited Partners in September 2005.

Expenses

For the twelve months ended December 31, 2006, total expenses increased by approximately $0.7 million, or 15.9%, to approximately $4.9 million from $4.2 million for the twelve months ended December 31, 2005. The increase in total expenses was primarily attributable to a $0.7 million increase in interest expense as a result of $45.1 million of

SBIC Debentures being outstanding for the full year of 2006. The management fees paid to the Investment Adviser and other general and administrative expenses did not significantly change between 2006 and 2005.

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Net Investment Income

As a result of the $2.2 million increase in total investment income as compared to the $0.7 million increase in total expenses, net investment income for the twelve months ended December 31, 2006, was $4.9 million, or a 45.5% increase, compared to net investment income of $3.4 million during the twelve months ended December 31, 2005.

Net Realized Income and Net Increase in Members Equity and Partners Capital Resulting From Operations

For the twelve months ended December 31, 2006, net realized gains from investments were $2.4 million, or a 63.3% increase over the $1.5 million of net realized gains during the twelve months ended December 31, 2005. The higher level of net realized gains during 2006 principally related to greater gains on the sale or redemption of equity investments in five portfolio companies, partially offset by the write off of one portfolio company investment.

The higher net realized gains in 2006 coupled with the higher net investment income during 2006 resulted in a $2.5 million, or 51.0%, increase, in the net realized income for the twelve months ended December 31, 2006 compared with the twelve months ended December 31, 2005.

During the twelve months ended December 31, 2006, we recorded a net change in unrealized appreciation in the amount of $8.5 million, or a 179.9% increase over the $3.0 million in net change in unrealized appreciation for the twelve months ended December 31, 2005. The higher 2006 unrealized appreciation included unrealized appreciation on 13 equity investments in portfolio companies partially offset by unrealized depreciation on four equity investments. The higher unrealized appreciation for 2006 was generally attributable to better economic performance by our portfolio companies, as adjusted for reclassification of prior year unrealized appreciation and depreciation into realized gains or losses on certain investments that were exited during 2006.

As a result of these events, our net increase in members equity and partners capital resulting from operations during the year ended December 31, 2006, was $15.8 million, or a 100.5% increase compared to a net increase in members equity and partners capital resulting from operations of $7.9 million during the year ended December 31, 2005.

Comparison of fiscal years ended December 31, 2005 and December 31, 2004

Investment Income

For the twelve months ended December 31, 2005, total investment income was $7.6 million, a $3.1 million, or 69.4%, increase over the $4.5 million of total investment income for the twelve months ended December 31, 2004. The increase was attributable to a $2.9 million increase in interest, fee and dividend income from investments and approximately a $0.2 million increase in interest from idle funds. The increase in interest, fee and dividend income is primarily attributable to (i) higher average levels of outstanding debt investments due to the closing of seven new debt investments in 2005 totaling $15.7 million, partially offset by debt repayments in 2005, (ii) higher levels of fee income attributable to greater investment activity and (iii) the fact that one portfolio company began paying dividends on our equity investment during the year 2005. The increase in interest income from idle funds during 2005 was attributable to higher cash balances as a result of the final capital call by Main Street Mezzanine Fund from the Limited Partners in September 2005.

Expenses

For the twelve months ended December 31, 2005, total expenses increased by approximately $1.2 million, or 41.1%, to approximately $4.2 million from $3.0 million for the twelve months ended December 31, 2004. The increase in total expenses was primarily attributable to a $1.2 million increase in interest expense as a result of $23.1 million of SBIC debenture borrowings drawn during 2005 in order to support new investment activities. The management fees paid to the Investment Adviser and other general and administrative expenses did not significantly change between 2005 and 2004.

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Net Investment Income

As a result of the $3.1 million year-over-year increase in total investment income as compared to the $1.2 million year-over-year increase in total expenses, net investment income for the twelve months ended December 31, 2005, was $3.4 million, or a 125.9% increase, compared to net investment income of $1.5 million during the twelve months ended December 31, 2004.

Net Realized Income and Net Increase in Members Equity and Partners Capital Resulting From Operations

For the twelve months ended December 31, 2005, net realized gains from investments were $1.5 million, or a 27.1% increase over the $1.2 million of net realized gains during the twelve months ended December 31, 2004. The higher level of net realized gains during 2005 principally related to gains from the sale or redemption of equity investments in four portfolio companies.

The higher net realized gains in 2005 coupled with the higher net investment income during 2005 resulted in a $2.2 million or 82.5% increase in the net realized income for the twelve months ended December 31, 2005 compared with the twelve months ended December 31, 2004.

During the twelve months ended December 31, 2005, we recorded a net change in unrealized appreciation in the amount of $3.0 million, or a 71.8% increase over the $1.8 million net change in unrealized appreciation for the twelve months ended December 31, 2004. The higher 2005 unrealized appreciation included unrealized appreciation on eight equity investments in portfolio companies partially offset by unrealized depreciation on three equity investments. The higher unrealized appreciation for 2005 was generally attributable to better economic performance by our portfolio companies, as adjusted for reclassification of prior year unrealized appreciation and depreciation into realized gains or losses on certain investments that were exited during 2005.

As a result of these events, our net increase in members equity and partners capital resulting from operations during the year ended December 31, 2005, was $7.9 million, or a 78.2% increase compared to a net increase in members equity and partners capital resulting from operations of $4.4 million during the year ended December 31, 2004.

Liquidity and Capital Resources

Cash Flows

For the six months ended June 30, 2007, we experienced a net increase in cash and equivalents in the amount of $3.9 million. During that period, we generated $2.6 million of cash from our operating activities primarily from net investment income. During the six months ended June 30, 2007, we used $3.7 million in net cash for investing activities. During the first six months of 2007, net cash used for investing activities principally included the funding of three new investments and several smaller follow-on investments for a total of $10.3 million of invested capital, partially offset by $5.4 million in cash proceeds from repayment of debt investments and $1.1 million of cash proceeds from the redemption and sale of several equity investments. During the first six months of 2007, we generated $4.9 million in cash from financing activities, which principally consisted of the net proceeds from $9.9 million in additional SBIC debenture borrowings, partially offset by $4.6 million of cash distributions to partners and $0.2 million of payments related to deferred offering costs.

For the twelve months ended December 31, 2006, we experienced a net decrease in cash and cash equivalents in the amount of $12.5 million. During that period, we generated $4.2 million of cash from our operating activities primarily from net investment income. During 2006, we used $10.9 million in cash for investing activities. The 2006 net cash used for investing activities included the funding of new or follow on investments for a total of $28.1 million of invested capital, partially offset by $12.2 million in cash proceeds from repayments of debt investments and $5.0 million of cash proceeds from the redemption or sale of several equity investments. During 2006, we used $5.9 million in cash for financing activities which principally consisted of $6.2 million of cash distributions to partners (including a $0.5 million return of capital distribution) partially offset by additional partner contributions.

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For the twelve months ended December 31, 2005, we experienced a net increase in cash and cash equivalents in the amount of $25.5 million. During that period, we generated $3.0 million of cash from our operating activities primarily from net investment income. During 2005, we used $8.2 million in cash for investing activities. The 2005 net cash used for investing activities principally included the funding of new or follow on investments for a total of $19.7 million of invested capital, partially offset by $10.3 million in cash proceeds from repayment of debt investments and $1.1 million of cash proceeds from the redemption and sale of several equity investments. During 2005, we generated $30.7 million in cash from financing activities, which principally consisted of the net proceeds from $23.1 million in additional SBIC debenture borrowings and $11.0 million in additional partner capital contributions, partially offset by $2.9 million of cash distributions to partners. The additional SBIC debenture borrowings and additional partner capital contributions during 2005 were used to support our investment activities.

For the twelve months ended December 31, 2004, we experienced a net decrease in cash and cash equivalents in the amount of $0.7 million. During that period, we generated $1.8 million of cash from our operating activities primarily from net investment income. During 2004, we used $16.8 million in cash for investing activities. The 2004 net cash used for investing activities principally included the funding of new and follow on investments for a total of $22.2 million of invested capital, partially offset by $1.5 million in cash proceeds from repayment of debt investments and $3.9 million of cash proceeds from the redemption and sale of several equity investments and related derivative transactions. During 2004, we generated $14.2 million in cash from financing activities which principally consisted of the net proceeds from $17.0 million in additional SBIC debenture borrowings, partially offset by $2.3 million of cash distributions to partners. The additional SBIC debenture borrowings during 2004 were used to support our investment activities.

Capital Resources

As of June 30, 2007, we had $17.7 million in cash and cash equivalents, and our net assets totaled $41.8 million.

We intend to generate additional cash primarily from net proceeds of this offering and any future offerings of securities, future borrowings as well as cash flows from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds will be investments in portfolio companies and cash distributions to holders of our common stock.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our income except for certain net capital gains. We expect to declare our initial dividend in November 2007 and pay the dividend on or before December 31, 2007. In addition, as a business development company, we generally will be required to meet a coverage ratio of total assets to total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200.0%. This requirement will limit the amount that we may borrow. Upon the receipt of the net proceeds from this offering, we will be in compliance with the asset coverage ratio under the 1940 Act.

We anticipate that we will continue to fund our investment activities through a combination of debt and additional equity capital. Due to Main Street Mezzanine Fund s status as a licensed SBIC, it has the ability to issue debentures guaranteed by the SBA at favorable interest rates. Under the Small Business Investment Act and the SBA rules applicable to SBICs, an SBIC can have outstanding at any time debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which generally is the amount raised from private investors. The maximum statutory limit on the dollar amount of outstanding debentures guaranteed by the SBA issued by a single SBIC or group of SBICs under common control as of June 30, 2007, was $127.2 million (which amount is subject to increase on an annual basis based on cost of living index increases).

Because of our and our investment team s affiliations with Main Street Capital II, a separate SBIC which commenced investment operations in January 2006, Main Street Mezzanine Fund and Main Street Capital II may be deemed to be a group of SBICs under common control. Thus, the dollar amount of SBA-guaranteed debentures that can be issued collectively by Main Street Mezzanine Fund and Main Street Capital II may be limited to $127.2 million, absent relief from the SBA. Currently, we, through Main Street Mezzanine Fund, do not intend to borrow SBA-guaranteed indebtedness in excess of $55.0 million based upon Main Street Mezzanine Fund s existing equity capital.

Debentures guaranteed by the SBA have fixed interest rates that approximate prevailing 10-year Treasury Note rates plus a spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006, were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On June 30, 2007, Main Street Mezzanine Fund had $55.0 million of outstanding indebtedness guaranteed by the SBA, which carried an average fixed interest rate of 5.8%.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004) *Share Based Payment* (SFAS 123R). Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123; however, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. We adopted SFAS 123R effective January 1, 2006 and there was no impact on our combined financial statements.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154), which replaces Accounting Principles Board Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method of reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this statement did not have a material effect on our combined financial statements.

In September 2006, The FASB issued SFAS No. 157, *Fair Value Measurements.* FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement addressed how to calculate fair value measurements required or permitted under other accounting pronouncements. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practice. FASB Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is permitted, provided that financial statements for that fiscal year, including any interim periods within that fiscal year, have not been issued. We are currently evaluating the impact, if any, that the implementation of SFAS No. 157 will have on our results of operations or financial condition.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, (SAB 108). SAB 108, which became effective beginning on January 1, 2007, provides guidance on the consideration of the effects of prior periods misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 requires an entity to evaluate the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on current year financial statements. If a misstatement is material to the current year financial statements, the prior year financial statements should also be corrected, even though such revision was, and continues to be, immaterial to the prior year financial statements. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. Such correction should be made in the current period filings. Management has evaluated the impact of adopting SAB 108. The adoption of SAB 108 did not have a material impact on our combined financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which provides companies with an option

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to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company s choice to use fair value on its earnings. SFAS 159 also requires entities to display the fair value of the selected assets and liabilities on the face of the combined balance sheet. SFAS 159 does not eliminate disclosure requirements of other accounting standards, including fair value measurement disclosures in SFAS 157. This Statement is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement 157. At this time, we are evaluating the implications of SFAS 159, and its impact on our financial statements has not yet been determined.

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. However, as of June 30, 2007, we had no unused firm commitments to extend credit to our portfolio companies, which would not be reflected on our balance sheet.

Contractual Obligations

As of December 31, 2006, our future fixed commitments for cash payments on contractual obligations for each of the next five years and thereafter are as follows:

	Total	2007	2008	2009	2010	2011	2012 and Thereafter
				(dollars in thousands)			
SBIC debentures payable	$ 45,100	$	$	$	$	$	$ 45,100
Interest due on SBIC debentures	21,337	2,558	2,565	2,558	2,558	2,558	8,540
Total	$ 66,437	$ 2,558	$ 2,565	$ 2,558	$ 2,558	$ 2,558	$ 53,640

During the six months ended June 30, 2007, Main Street Mezzanine Fund issued $9.9 million in SBIC Debentures which have a maturity date of March 1, 2017. The annual interest due on these additional SBIC Debentures is approximately $0.6 million.

Main Street Mezzanine Fund is obligated for payments under the management services agreement with the Investment Adviser as more fully described in Formation; Business Development Company and Regulated Investment Company Elections and in the Notes to Combined Financial Statements elsewhere in this prospectus. The management fees payable under such management services agreement are approximately $2 million for the year ending December 31, 2007. Upon consummation of the formation transactions described in this prospectus, the Investment Adviser will become our wholly-owned subsidiary.

Quantitative and Qualitative Disclosure about Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The significant majority of our debt investments are made with fixed interest rates for the term of the investment. However, as of June 30, 2007, approximately 3.7% of our debt investment portfolio (at cost) bore

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interest at floating rates. All of our current outstanding indebtedness is subject to fixed interest rates for the 10-year life of such debt. At June 30, 2007, December 31, 2006 and 2005, based on our applicable levels of floating-rate debt investments, a 1.0% change in interest rates would not have a material effect on our level of interest income from debt investments.

Related Party Transactions

Main Street Mezzanine Fund has co-invested with Main Street Capital II in several investments since January 2006. Main Street Capital II and Main Street Mezzanine Fund are both managed by the Investment Adviser and the general partners for Main Street Mezzanine Fund and Main Street Capital II are under common control. Main Street Capital II is an SBIC with similar investment objectives to Main Street Mezzanine Fund and which began its investment operations in January 2006. The co-investments among the two funds were made at the same time and on the same terms and conditions. The co-investments were made in accordance with the Investment Adviser s conflicts policy and in accordance with the applicable SBIC conflict of interest regulations.

Main Street Mezzanine Fund paid $1.9 million in management fees to the Investment Adviser for each of the years ended December 31, 2004, 2005 and 2006. Main Street Mezzanine Fund paid $1.0 million in management fees to the Investment Advisor for the six months ended June 30, 2007 and June 30, 2006. The Investment Adviser is an affiliate of Main Street Mezzanine Fund as it is commonly controlled by principals who also control the General Partner.

The principals of the General Partner, management of the Investment Adviser, and their affiliates, collectively have invested $3.6 million in the limited partnership interests of Main Street Mezzanine Fund, representing approximately 13.5% of such limited partner interests.

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted. Grant Thornton LLP s report on the senior securities table as of December 31, 2006, is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[(1)] *(dollars in thousands)*	Asset Coverage per Unit[(2)]	Involuntary Liquidating Preference per Unit[(3)]	Average Market Value per Unit[(4)]
SBIC debentures payable				
2003	$ 5,000	$ 3,994		N/A
2004	22,000	1,784		N/A
2005	45,100	1,738		N/A
2006	45,100	1,959		N/A
2007 (as of June 30, unaudited)	55,000	1,761		N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.

(4) Not applicable because senior securities are not registered for public trading.

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BUSINESS

General

Main Street

We are a specialty investment company focused on providing customized financing solutions to lower middle market companies, which we define as companies with annual revenues between $10.0 million and $100.0 million. Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and realizing capital appreciation from our equity-related investments. Our investments generally range in size from $2.0 million to $15.0 million. For larger investments in this range, we have generally secured co-investments from other institutional investors due to our historical regulatory size limits. Since our wholly-owned subsidiary, Main Street Mezzanine Fund, was formed in 2002, it has funded over $100 million in debt and equity investments. Our ability to invest across a company s capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or one-stop financing.

We typically seek to partner with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) taking first priority liens on assets; and (iii) providing equity incentives for management teams of our portfolio companies. We seek to avoid competing with other capital providers for transactions because we believe competitive transactions often have execution risks and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and higher leverage ratios. In that regard, based upon information provided to us by our portfolio companies (which we have not independently verified), our portfolio had a total net debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio of approximately 3.4 to 1.0 and a total EBITDA to interest expense ratio of 2.1 to 1.0. In calculating these ratios, we included all portfolio company debt, EBITDA and interest expense as of June 30, 2007, including debt junior to our debt investments but excluding amounts related to one portfolio company with less than one year of operations. If we also excluded debt junior to our debt investments in calculating these ratios, the ratios would be 2.8 to 1.0 and 2.3 to 1.0, respectively. In addition, approximately 90% of our total investments at cost are debt investments and over 90.0% of such debt investments at cost were secured by first priority liens on the assets of our portfolio companies as of June 30, 2007. At June 30, 2007, our average fully diluted ownership in portfolio companies where we have an equity warrant and/or direct equity investment was approximately 22%.

As of June 30, 2007, we had debt and equity investments in 25 portfolio companies with an aggregate fair market value of $81.1 million and the weighted average effective yield on all of our debt investments was approximately 14.7%. Weighted effective average yields are computed using the effective interest rates for all debt investments at June 30, 2007, including amortization of deferred debt origination fees and original issue discount. As of June 30, 2007, the weighted average effective yield on all of our outstanding debt investments was 13.8%, excluding the impact of the deferred debt origination fee amortization.

As of September 17, 2007, we have received executed non-binding term sheets for approximately $13 million gross investment commitments in prospective portfolio companies. These proposed investments are subject to the completion of our due diligence and approval process as well as negotiation of definitive agreements with the prospective portfolio companies and, as a result, may not result in completed investments.

Why We Are Going Public

In 2002, Main Street Mezzanine Fund raised its initial capital, obtained its license to operate as an SBIC and began investing its capital. While we intend to continue to operate Main Street Mezzanine Fund as an SBIC and to utilize lower cost capital we can access through the SBA s SBIC Debenture Program, which we refer to as SBA leverage or SBIC leverage, to partially fund our investment portfolio, we believe that being a

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public company will offer certain key advantages for our business that would not be available to us if we continue to operate as a private SBIC. These key advantages include:

Permanent Capital Base and Longer Investment Horizon. Unlike traditional private investment vehicles such as SBICs, which typically are finite-life limited partnerships with a limited investment horizon, we will operate as a corporation with a perpetual life and no requirement to return capital to investors. We believe raising separate pools of capital with finite investment terms unreasonably diverts management s time from its basic investment activities. We believe that our new structure will allow us to make investments with a longer investment horizon and to better control the timing and method of exiting our investments, which we believe will enhance our returns.

Investment Efficiency. SBICs are subject to a number of regulatory restrictions on their investment activities, including limits on the size of individual investments and the size and types of companies in which they are permitted to invest. Subsequent to the consummation of this offering, we may make investments through Main Street Capital Corporation without these restrictions, allowing us to pursue certain attractive investment opportunities that we previously were required to forgo. In addition, as a public company with more capital available, we generally will not be required to secure co-investments from non-affiliated investors for investments exceeding our historical regulatory size limits.

Greater Access to Capital. As a public company, we expect to have access to greater amounts and types of capital that we can use to grow our investment portfolio. In addition, we should be able to obtain additional capital in a more efficient and cost effective manner than if we were to remain a private entity. We will also have the ability to spread our overhead and operating costs over a larger capital base.

Key Personnel Retention. Retaining and providing proper incentives to key personnel over longer periods of time is critical to the success of our operations. As a public company, we will have the ability to provide competitive rates of compensation, including equity incentives to current and future employees, to further align their economic interests with our stockholders.

Market Opportunity

Our business is to provide customized financing solutions to lower middle market companies, which we define as companies with annual revenues between $10.0 million and $100.0 million. Based on a search of the Dun and Bradstreet database completed on June 20, 2007, we believe there are approximately 68,000 companies in the United States with revenues between $10.0 million and $100.0 million. We believe many lower middle market companies are unable to obtain sufficient financing from traditional financing sources. Due to evolving market trends, traditional lenders and other sources of private investment capital have focused their efforts on larger companies and transactions. We believe this dynamic is attributable to several factors, including the consolidation of commercial banks and the aggregation of private investment funds into larger pools of capital that are focused on larger investments. In addition, many current funding sources do not have relevant experience in dealing with some of the unique business issues facing lower middle market companies. Consequently, we believe that the market for lower middle market investments, particularly those investments of less than $10.0 million, is currently underserved and less competitive. This market situation creates the opportunity for us to meet the financing requirements of the lower middle market companies while also negotiating favorable transaction terms and equity participations.

Business Strategy

Our investment objective is to maximize our portfolio s total return by generating current income from our debt investments and realizing capital appreciation from our equity-related investments. We have adopted the following business strategies to achieve our investment objective:

Delivering Customized Financing Solutions. We believe our ability to provide a broad range of customized financing solutions to lower middle market companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. We offer to our portfolio companies customized debt financing solutions with equity components that are tailored to the facts and circumstances of each situation. Our ability to invest across a company s capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer our portfolio companies a comprehensive suite of financing solutions, or one-stop financing.

Focusing on Established Companies in the Lower Middle Market. We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building management or are in the early stages of building a revenue base. In addition, established lower middle market companies generally provide opportunities for capital appreciation.

Leveraging the Skills and Experience of Our Investment Team. Our investment team has over 35 years of combined experience in lending to and investing in lower middle market companies. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include five certified public accountants and one chartered financial analyst. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional and complex structures.

Maintaining Portfolio Diversification. We seek to maintain a portfolio of investments that is appropriately diversified among various companies, industries, geographic regions and end markets. This portfolio diversity is intended to mitigate the potential effects of negative economic events for particular companies, regions and industries.

Capitalizing on Strong Transaction Sourcing Network. Our investment team seeks to leverage its extensive network of referral sources for investments in lower middle market companies developed over the last ten years. Since 2002, we have originated and been the lead investor in over 25 principal investment transactions and have developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created growing proprietary deal flow for us.

Benefiting from Lower Cost of Capital. Main Street Mezzanine Fund s SBIC license has allowed it and, subject to SBA approval, will allow us to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and public debt. Because lower cost SBA leverage is, and will continue to be, a significant part of a capital base, our relative cost of debt capital should be lower than many of our competitors.

Investment Criteria

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

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

Established Companies with Positive Cash Flow. We generally seek to invest in established companies with sound historical financial performance. We typically focus on companies that have historically generated EBITDA of greater than $1.0 million and commensurate levels of free cash flow. We generally do not intend to invest in start-up companies or companies with speculative business plans.

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

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

Investments

Debt Investments

Historically, Main Street Mezzanine Fund has made debt investments principally in the form of single tranche debt. Single tranche debt financing involves issuing one debt security that blends the risk and return profiles of both secured and subordinated debt. We believe that single tranche debt is more appropriate for many lower middle market companies given their size in order to reduce structural complexity and potential conflicts among creditors.

Our debt investments generally have terms of three to seven years, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates between 12.0% and 14.0% per annum, payable currently in cash. In some instances, we have provided floating interest rates for a small portion of a single tranche debt security. In addition, certain debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this as PIK interest. We typically structure our debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our debt investment will be collateralized by a first lien on substantially all the assets of the portfolio company. As of June 30, 2007, over 90.0% of our debt investments were secured by first priority liens on the assets of the portfolio company and the rest of our debt investments were secured on a second lien basis.

While we will continue to focus on single tranche debt investments, we also anticipate structuring some of our future debt investments as mezzanine loans. We anticipate that these mezzanine loans will be primarily junior secured or unsecured, subordinated loans that provide for relatively high fixed interest rates that will provide us with significant current interest income. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loan term. Also, in some cases, our mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower. Typically, our mezzanine loans will have maturities of three to five years. We will generally target fixed interest rates of 12.0% to 14.0%, payable currently in cash for our mezzanine loan investments with higher targeted total returns from equity warrants, direct equity investments or PIK interest.

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

Warrants

In connection with our debt investments, we have historically received equity warrants to establish or increase a minority equity interest in the portfolio company. Warrants we receive in connection with a debt investment typically require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We typically structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as secured or

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unsecured put rights, or rights to sell such securities back to the portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights.

Direct Equity Investments

We also will seek to make direct equity investments in situations where appropriate to align our interests with key management and stockholders, and to allow for some participation in the appreciation in enterprise values of our portfolio companies. We usually make our direct equity investments in connection with debt investments. In addition, we may have both equity warrants and direct equity positions in some of our portfolio companies. We seek to maintain fully-diluted equity positions in our portfolio companies of 5.0% to 50.0%, and may have controlling interests in some instances. We have a value orientation toward our direct equity investments and have traditionally been able to purchase our equity investments at reasonable valuations.

Investment Process

Our investment committee is responsible for all aspects of our investment process. The current members of our investment committee are Messrs. Foster, Reppert and Magdol. Our investment strategy involves a team approach whereby potential transactions are screened by members of our investment team before being presented to the investment committee. Our investment committee meets at least once a week but also meets on an as needed basis depending on transaction volume. Our investment committee generally categorizes our investment process into seven distinct stages:

Deal Generation/Origination

Deal generation and origination is maximized through long-standing and extensive relationships with industry references, brokers, commercial and investment bankers, entrepreneurs, services providers such as lawyers and accountants, as well as current and former portfolio companies and investors. Our investment team has focused its investment efforts in prior investment funds on lower middle market companies. We have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in this sector. This focus and level of historical deal activity in the lower middle market has led to deal flow momentum for our investment activities. In addition, we anticipate that we will obtain leads from our greater visibility as a public company.

Screening

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

- A comprehensive financial model based on quantitative analysis of historical financial performance, projections and pro forma adjustments to determine the estimated internal rate of return.
- A brief industry and market analysis; importing direct industry expertise from other portfolio companies or investors.
- Preliminary qualitative analysis of the management team s competencies and backgrounds.
- Potential investment structures and pricing terms.
- Regulatory compliance.

Upon successful screening of the proposed transaction, the investment team makes a recommendation to our investment committee. If our investment committee concurs with moving forward on the proposed transaction, we issue a non-binding term sheet to the company.

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Term Sheet

The non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process as well as a proposed timeline and our qualitative expectation for the transaction. While the term sheet is non-binding, it generally does require an expense deposit to be paid in order to move the transaction to the due diligence phase. Upon execution of a term sheet and payment of the expense deposit, we begin our formal due diligence and underwriting process.

Due Diligence

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

- Initial or additional site visits with management and key personnel;
- Detailed review of historical and projected financial statements;
- Operational reviews and analysis;
- Interviews with customers and suppliers;
- Detailed evaluation of company management, including background checks;
- Review of material contracts;
- In-depth industry, market, and strategy analysis;
- Review by legal, environmental or other consultants, if applicable; and
- Financial sponsor diligence, if applicable, including portfolio company and other reference checks.

During the due diligence process, significant attention is given to sensitivity analyses and how the company might be expected to perform given downside, base-case and upside scenarios.

Document and Close

Upon completion of a satisfactory due diligence review, the deal team presents the findings and a recommendation to our investment committee. The presentation contains information including, but not limited to, the following:

- Company history and overview;
- Transaction overview, history and rationale, including an analysis of transaction strengths and risks;
- Analysis of key customers and suppliers and key contracts;
- A working capital analysis;

An analysis of the company s business strategy;

A management background check and assessment;

Third party accounting, legal, environmental or other due diligence findings;

Investment structure and expected returns;

Anticipated sources of repayment and potential exit strategies;

Pro forma capitalization and ownership;

An analysis of historical financial results and key financial ratios;

Sensitivities to management s financial projections; and

Detailed reconciliations of historical to pro forma results.

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

Post-Investment

We continuously monitor the status and progress of the portfolio companies. We offer managerial assistance to our portfolio companies giving them access to our investment experience, direct industry expertise and contacts. The same deal team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the deal team to maintain a strong business relationship with key management of its portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process, the deal team will analyze monthly/quarterly financial statements versus the previous periods and year, review financial projections, meet with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our portfolio companies, we maintain a higher level of involvement in non-ordinary course financing or strategic activities and any non-performing scenarios.

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

Investment Rating 1 is used for investments that exceed expectations and with respect to which return of capital invested, collection of all interest, and a substantial capital gain are expected.

Investment Rating 2 is used for investments that are performing in accordance with or above expectations and with respect to which the equity component, if any, has the potential to realize capital gain.

Investment Rating 3 is used for investments that are generally performing in accordance with expectations and with respect to which a full return of original capital invested and collection of all interest is expected, but no capital gain can currently be foreseen.

Investment Rating 4 is used for investments that are underperforming, have the potential for a realized loss and require closer monitoring.

Investment Rating 5 is used for investments performing significantly below expectations and where we expect a loss.

The following table shows the distribution of our investments on the 1 to 5 investment rating scale at fair value as of December 31, 2005, December 31, 2006 and June 30, 2007:

	December 31, 2005		**December 31, 2006**		**June 30, 2007**	
	Investments at	**Percentage of**	**Investments at**	**Percentage of**	**Investments at**	**Percentage of**

Investment Rating	Fair Value	Total Portfolio	Fair Value	Total Portfolio	Fair Value	Total Portfolio (Unaudited)
			(dollars in thousands)			
1	$ 4,475	8.3%	$ 31,686	41.6%	$ 25,778	31.8%
2	27,256	50.7	23,581	30.9	24,986	30.8
3	21,421	39.8	15,094	19.8	24,607	30.3
4	100	0.2	5,848	7.7	5,736	7.1
5	543	1.0				
Totals	$ 53,795	100.0%	$ 76,209	100.0%	$ 81,107	100.0%

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Based upon our investment rating system, the weighted average rating of our portfolio as of December 31, 2005, December 31, 2006 and June 30, 2007, was approximately 2.3, 1.9 and 2.1, respectively. As of December 31, 2005, 2006 and June 30, 2007, other than one investment that had been impaired as of December 31, 2005, we had no debt investments that were delinquent on interest payments or which were otherwise on non-accrual status.

Exit Strategies/Refinancing

While we generally exit from most investments through the successful refinancing or repayment of our debt and redemption of our equity positions, we typically assist our portfolio companies in developing and planning refinancing or exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy or refinancing.

Determination of Net Asset Value and Valuation Process

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

Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which a market quotation is readily available and (ii) for all other securities and assets, fair value as is determined in good faith by the Board of Directors. Our business plan calls for us to invest primarily in illiquid securities issued by private companies and/or thinly-traded public companies. These investments may be subject to restrictions on resale and generally have no established trading market. As a result, we will value substantially all of our portfolio investments at fair value as determined in good faith by our Board of Directors pursuant to a valuation policy and a consistently applied valuation process. We base the fair value of our investments on the enterprise value of the portfolio companies in which we invest. The enterprise value is the value at which an enterprise could be sold in a transaction between two willing parties other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for determining enterprise value and 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 determining the enterprise value of a portfolio company, we analyze various factors, including the portfolio company s historical and projected financial results. We also generally prepare and analyze discounted cash flow models based on its projections of the future free cash flows of the business and industry derived capital costs. We review external events, including private mergers and acquisitions, and include these events in the enterprise valuation process.

Due to the inherent uncertainty in the valuation process, our estimate 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 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 different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

If there is adequate enterprise value to support the repayment of the debt, the fair value of our loan or debt security normally corresponds to cost plus accumulated unearned income unless the borrower s condition or other factors lead to a determination of fair value at a different amount. The fair value of equity interests in portfolio companies is determined based on various factors, including revenues, EBITDA and cash flow from operations of the portfolio company and other pertinent factors such as recent offers to purchase a portfolio company s securities, financing events or other liquidation events.

Subsequent to the offering, our Board of Directors will undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments:

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

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

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

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

An independent valuation firm engaged by the Board of Directors will perform certain mutually agreed limited procedures that we have identified and asked them to perform on a selection of our final portfolio company valuation conclusions.

Prior to the offering, the historical valuations of the Main Street Mezzanine Fund investments, as reported herein, were determined by the General Partner through a multi-step process consistent with the process discussed above except that the review and determination of fair value was made by the General Partner and not by the Audit Committee or the Board of Directors.

Duff & Phelps, LLC, an independent valuation firm (Duff & Phelps), provided third party valuation consulting services to the General Partner which consisted of certain mutually agreed limited procedures that the General Partner identified and requested Duff & Phelps to perform (hereinafter referred to as the Procedures). For the year ended December 31, 2006, the General Partner asked Duff & Phelps to perform the Procedures on investments in 22 portfolio companies comprising approximately 99.0% of the total investments at fair value as of December 31, 2006. For the quarters ended March 31, 2007 and June 30, 2007, the General Partner asked Duff & Phelps to perform the Procedures on investments in 6 portfolio companies during each quarter comprising approximately 35.0% and 19.0%, respectively, of the total investments at fair value as of March 31, 2007 and June 30, 2007. Upon completion of the Procedures, Duff & Phelps concluded that the fair value, as determined by the General Partner, of those investments subjected to the Procedures did not appear to be unreasonable. Prior to the offering the General Partner, and subsequent to the offering the Board of Directors of Main Street Capital Corporation, are ultimately and solely responsible for determining the fair value of the investments in good faith.

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

Managerial Assistance

As a business development company, we will offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance will typically involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

Competition

We compete for investments with a number of business development companies and investment funds (including private equity funds, mezzanine funds and other SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including making investments in lower middle market companies. As a result of these new entrants, competition for investment opportunities in lower middle market companies may intensify. Many of the entities that compete with us have greater financial and managerial resources. We believe we are able to be competitive with these entities primarily on the basis of our willingness to make smaller investments, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

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

Employees

As of June 30, 2007, we had 11 employees, including investment and portfolio management professionals, operations professionals and administrative staff. Upon the completion of this offering, we intend to hire additional investment professionals as well as additional administrative personnel.

Properties

Our executive office is located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056. We believe that our current office facilities are adequate for our business as we intend to conduct it.

Legal Proceedings

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, we are currently not a party to any pending material legal proceedings.

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PORTFOLIO COMPANIES

The following table sets forth certain unaudited information as of June 30, 2007, for each portfolio company in which we had a debt or equity investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance ancillary to our investments and the board observer or participation rights we may receive.

Name and Address of Portfolio Company	Nature of Principal Business	Title of Securities Held by Us	Percentage of Fully Diluted Equity Held	Cost of Investment[1]	Fair Value of Investment
Advantage Millwork Company, Inc.	Manufacturer/distributor	12% Secured Debt		$ 2,400,000	$ 2,400,000
10510 Okanella St. #200	of wood doors	Warrants to Purchase			
Houston, TX 77041		Common Stock	10.0%	80,000	80,000
				$ 2,480,000	**$ 2,480,000**
All Hose & Specialty, LLC	Distributor of commercial/	11% Secured Debt		$ 2,600,000	$ 2,600,000
5425 US Highway 90 East	industrial hoses	LLC Interests	15.0%	80,357	2,000,000
Broussard, LA 70518					
				$ 2,680,357	**$ 4,600,000**
American Sensor Technologies, Inc.	Manufacturer of	9% Secured Debt		$ 400,000	$ 400,000
450 Clark Drive	commercial/industrial	13% Secured Debt		3,000,000	3,000,000
Mt. Olive, NJ 07828	sensors	Warrants to Purchase			
		Common Stock	20.0%	50,000	575,000
				$ 3,450,000	**$ 3,975,000**
Café Brazil, LLC	Casual restaurant group	12% Secured Debt		$ 2,950,000	$ 2,950,000
202 W Main Street, Suite No. 100		LLC Interests	42.3%	41,837	1,150,000
Allen, TX 75002				**$ 2,991,837**	**$ 4,100,000**

Carlton Global Resources, LLC	Produces and processes industrial minerals	13% Secured Debt		$ 4,531,527	$ 4,531,527
20021 Valley Blvd. Suite B Tehachapi, CA 93561		LLC Interests	8.5%	400,000	400,000
				$ 4,931,527	**$ 4,931,527**
CBT Nuggets, LLC	Produces and sells IT	Prime Plus 2% Secured Debt		$ 360,000	$ 360,000
44 Club Rd Suite 150	certification training	14% Secured Debt		1,860,000	1,860,000
Eugene, OR 97401	videos	LLC Interests	29.1%	432,000	890,000
		Warrants to Purchase LLC Interests	10.5%	72,000	270,000
				$ 2,724,000	**$ 3,380,000**
East Teak Fine Hardwoods, Inc.	Distributor of hardwood	13% Current/5.5% PIK		$ 1,606,807	$ 1,606,807
4950 Westgrove	products	Secured Debt			
Suite 100 Dallas, TX 75248		Common Stock	3.3%	130,000	455,000
				$ 1,736,807	**$ 2,061,807**
Hawthorne Customs & Dispatch	Provides one stop	13% Secured Debt		$ 1,537,500	$ 1,537,500
Services, LLC 9370 Wallisville Road	logistics services	LLC Interests	27.8%	375,000	435,000
Houston, TX 77013		Warrants to Purchase LLC Interests	16.5%	37,500	230,000
				$ 1,950,000	**$ 2,202,500**
Hayden Acquisition, LLC	Manufacturer of utility	12% Secured Debt		**$ 1,955,000**	**$ 1,955,000**
7801 Tangerine Road Rillito, AZ 85654	structures				
Houston Plating & Coatings, LLC	Plating and industrial	Prime Plus 2% Secured		$ 100,000	$ 100,000
1315 Georgia	coating services	Debt			
South Houston, TX 77587		LLC Interests	11.8%	210,000	2,120,000

				$ 310,000	**$ 2,220,000**
Jensen Jewelers of Idaho, LLC 130 2nd Avenue North Twin Falls, ID 83301	Retail jewelry chain	Prime Plus 2% Secured Debt		$ 1,280,000	$ 1,280,000
		13% Current/6% PIK Secured Debt		1,038,167	1,038,167
		LLC Interests	25.1%	376,000	376,000
				$ 2,694,167	**$ 2,694,167**

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Name and Address of Portfolio Company	Nature of Principal Business	Title of Securities Held by Us	Percentage of Fully Diluted Equity Held	Cost of Investment(1)	Fair Value of Investment
KBK Industries, LLC East Highway 96 Rush Center, KS 67575	Specialty manufacturer of oilfield and industrial products	14% Secured Debt		$ 3,937,500	$ 3,937,500
		Prime plus 2% Secured Debt		75,000	686,250
		8% Secured Debt		512,795	512,795
		LLC Interests	14.5%	187,500	700,000
				$ 4,712,795	**$ 5,836,545**
Laurus Healthcare, LP 10000 Memorial Drive	Healthcare facilities	13% Secured Debt		$ 3,010,000	$ 3,010,000
		Warrants to Purchase	18.2%	105,000	