

Main Street Capital CORP  
Form N-2/A  
October 19, 2012

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As filed with the Securities and Exchange Commission on October 19, 2012

Securities Act File No. 333-183555

**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. 1**

**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  
President and 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:**

**Jason B. Beauvais  
Senior Vice President, General Counsel,  
Chief Compliance Officer and Secretary  
Main Street Capital Corporation  
1300 Post Oak Boulevard, Suite 800  
Houston, TX 77056**

**Steven B. Boehm, Esq.  
Harry S. Pangas, Esq.  
Sutherland Asbill & Brennan LLP  
1275 Pennsylvania Avenue, NW  
Washington, DC 20004-2415  
Tel: (202) 383-0100  
Fax: (202) 637-3593**

**Approximate date of proposed public offering:  
From time to time 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.

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

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered</b>	<b>Proposed Maximum Aggregate Offering</b>	<b>Amount of Registration Fee</b>
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## Price(1)

Common Stock, \$0.01 par value per share(2)

Preferred Stock(2)

Subscription Rights(2)

Units(2)

Debt Securities(3)

Warrants(4)

Total	\$800,000,000	\$800,000,000(5)	\$98,220(6)
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- (1) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.
- (2) Subject to Note 5 below, there is being registered hereunder an indeterminate amount of common stock, preferred stock, subscription rights or units as may be sold, from time to time.
- (3) Subject to Note 5 below, there is being registered hereunder an indeterminate amount of debt securities as may be sold, from time to time. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed the proposed maximum offering price.
- (4) Subject to Note 5 below, there is being registered hereunder an indeterminate principal amount of warrants as may be sold, from time to time, representing rights to purchase common stock, preferred stock or debt securities.
- (5) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed the proposed maximum offering price.
- (6) A filing fee of \$57,300 to register \$500,000,000 of securities was previously paid in connection with the initial filing of this registration statement. Prior to filing this registration statement, \$342,593,750 of securities remained unregistered and unsold pursuant to Registration Statement No. 333-173674 (the "Unsold Securities"), which was initially filed on April 22, 2011 and declared effective on July 20, 2011 and May 25, 2012. Pursuant to Rule 457(p), the \$39,775 fee paid to register the Unsold Securities is offset against the currently due filing fee of \$40,920 in connection with the registration of \$300,000,000 of additional securities, and the remaining \$1,145 is being paid herewith.

**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, as amended, or until this 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 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 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 OCTOBER 19, 2012**

**PROSPECTUS**

**\$800,000,000**

**Main Street Capital Corporation**

**Common Stock  
Preferred Stock  
Warrants  
Subscription Rights  
Debt Securities  
Units**

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We may offer, from time to time in one or more offerings, up to \$800,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock, or debt securities, subscription rights, debt securities or units, which we refer to, collectively, as the "securities." Our securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. In this regard, on June 14, 2012, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for the period ending on the earlier of (i) June 14, 2013, the one year anniversary of our 2012 annual meeting of stockholders, and (ii) the date of our 2013 annual meeting of stockholders. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value."

**Shares of closed-end investment companies such as us frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our common stock.**

Our securities may be offered directly to one or more purchasers through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such securities, which must be delivered to each purchaser at, or prior to, the earlier of delivery of a confirmation of sale or delivery of the securities.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million.

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**The LMM and Middle Market securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.**

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

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

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On October 18, 2012, the last reported sale price of our common stock on the New York Stock Exchange was \$29.80 per share, and the net asset value per share of our common stock on June 30, 2012 (the last date prior to the date of this prospectus on which we determined our net asset value per share) was \$16.89.

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**Investing in our securities involves a high degree of risk, and should be considered highly speculative. See "Risk Factors" beginning on page 13 to read about factors you should consider, including the risk of leverage and dilution, before investing in our securities.**

This prospectus and the accompanying prospectus supplement contain important information about us that a prospective investor should know before investing in our securities. Please read this prospectus and the accompanying prospectus supplement before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at [www.mainstreetcapital.com](http://www.mainstreetcapital.com). Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

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

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The date of this prospectus is \_\_\_\_\_, 2012

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to \$800,000,000 of our securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under "Available Information" and "Risk Factors" before you make an investment decision.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or any accompanying supplement to this prospectus. You must not rely on any unauthorized information or representations not contained in this prospectus or any accompanying prospectus supplement as if we had authorized it. This prospectus and any accompanying prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any accompanying prospectus supplement is accurate as of the dates on their covers.

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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 and any prospectus supplement carefully, including the section entitled "Risk Factors."*

**Organization**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first quarter of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the completion of the Final MSC II Exchange, MSCC owns 100% of MSC II. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

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

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The following diagram depicts Main Street's organizational structure:

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

**Overview**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the lower middle market creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or "one stop" financing. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

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As of June 30, 2012, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$423.6 million, with a total cost basis of approximately \$340.8 million, and a weighted average annual effective yield on our LMM debt investments of approximately 15.0%. Approximately 78% of our total LMM portfolio investments at cost were in the form of debt investments and 95% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of June 30, 2012. At June 30, 2012, we had equity ownership in approximately 91% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

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

As of June 30, 2012, we had Middle Market portfolio investments in 77 companies collectively totaling approximately \$343.4 million in fair value with a total cost basis of approximately \$341.8 million. The weighted average revenues for the 77 Middle Market portfolio company investments were approximately \$519 million. Our Middle Market debt investments are primarily in the form of debt investments and 91% of such debt investments at cost were secured by first priority liens on portfolio company assets as of June 30, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.7% as of June 30, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of June 30, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$23.6 million in fair value and \$23.4 million in cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend



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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the three and six months ended June 30, 2012, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.9% and 2.0% respectively, on an annualized basis, compared to 2.3% and 2.4% respectively, on an annualized basis for the three and six months ended June 30, 2011 and 2.2% for the year ended December 31, 2011.

In addition, during May of 2012, we and the Investment Manager executed an investment sub-advisory agreement with HMS Adviser, LP, which is the investment advisor to HMS Income Fund, Inc., a newly-formed BDC whose registration statement on Form N-2 was declared effective by the SEC on June 4, 2012, to provide certain investment advisory services to HMS Adviser, LP. We are initially providing such investment advisory services to HMS Adviser, LP, but ultimately intend that the Investment Manager provide such services because the fees we receive from such arrangement have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. We will need to obtain certain relief from the SEC before the Investment Manager is permitted to provide these services to HMS Adviser, LP, and there can be no assurance that we will obtain such relief.

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

Our principal executive offices are located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at <http://www.mainstreetcapital.com>. Information contained on our website is not incorporated by reference into this prospectus or any prospectus supplement, and you should not consider that information to be part of this prospectus or any prospectus supplement.

**Business Strategies**

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

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

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

*Leveraging the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and middle market companies.

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

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

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

**Risk Factors**

Investing in our securities involves a high degree of risk. You should consider carefully the information found in "Risk Factors," including the following risks:

Deterioration in the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Such economic adversity could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.

Our investment portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.

Typically, there is not a public market for the securities of the privately held LMM companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent advisor (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors.

In addition, the market for Middle Market portfolio investments is generally not a liquid market, and therefore, we primarily use observable inputs to determine the fair value of these investments quarterly through obtaining third party quotes and other independent pricing, which are reviewed by our audit committee with the oversight, review and approval of our Board of Directors.

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

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We may face increasing competition for investment opportunities.

Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.

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

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

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We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders.

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

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

We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income, including from amortization of original issue discount, contractual payment-in-kind, or PIK, interest, contractual preferred dividends, or amortization of market discount. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis.

Because we intend to distribute substantially all of our income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth, and regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital and make distributions.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.

Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment. Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

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

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

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

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

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generally have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information

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about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

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

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

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

We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

The market price of our securities may be volatile and fluctuate significantly.

### **Investment Criteria**

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

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

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

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

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

### **Recent Developments**

During October 2012, we sold the majority of our LMM equity investment in Laurus Healthcare, LP ("Laurus") to a leading private equity investment firm which has previously made numerous growth investments within the healthcare sector. We realized a gain of approximately \$9.9 million on the sale. Laurus is a leader in developing and managing outpatient healthcare facilities, in partnership with physicians and hospitals, which are focused on the identification and treatment of cardiovascular disease. We made our initial investment in Laurus during 2004, which consisted of a first lien, secured debt investment with equity warrant participation. Subsequent to the initial investment in Laurus, Main Street made several follow on debt investments to support Laurus in various acquisition and internal growth initiatives. Our cumulative secured debt investment in Laurus was fully refinanced during the second quarter of 2012. While we sold the majority of our equity interest in Laurus, we also retained a portion of our equity investment through a new entity owned by the Laurus management team and the private equity

investment firm.

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During August 2012, we completed a follow on investment in an existing LMM portfolio company, SAMBASafety Holdings, L.L.C. ("Samba"), totaling \$9.4 million in invested capital. The follow on investment consisted of \$9.0 million in first lien, senior secured debt and a \$0.4 million equity investment and funded an acquisition and additional working capital needs of Samba. Headquartered in Albuquerque, New Mexico, Samba is a provider of fleet compliance software and services to car and truck fleet owners, employment screeners, and automotive retailers.

During August 2012, we completed a new LMM portfolio investment in Indianhead Pipeline Services, LLC ("Indianhead Pipeline"). The investment consists of \$10.0 million in first lien, senior secured debt with equity warrant participation and a \$1.7 million direct equity investment. Indianhead Pipeline is headquartered in Eau Claire, Wisconsin, and provides products and support services to transcontinental pipeline construction companies in North America. Indianhead Pipeline's service offering primarily consists of buoyancy control, site preparation and restoration, foam services and erosion control. Main Street partnered with Indianhead Pipeline's founder and third party investors to facilitate the recapitalization and growth financing of Indianhead Pipeline.

In July 2012, we expanded the total commitments under our three-year credit facility (the "Credit Facility") from \$277.5 million to \$287.5 million. The \$10.0 million increase in total commitments was the result of the addition of one new lender relationship which further diversifies our lending group to a total of nine participants. The recent increase in total commitments was executed under the accordion feature of the Credit Facility which allows us to increase the total commitments under the facility up to \$350 million from new and existing lenders on the same terms and conditions as the existing commitments. The recent increase in total commitments under the Credit Facility provides us with access to additional financing capacity in support of our future investment and operational activities.

During July 2012, we declared monthly dividends of \$0.15 per share for each of October, November and December 2012. These monthly dividends equal a total of \$0.45 per share for the fourth quarter of 2012.

**The Offering**

We may offer, from time to time, up to \$800,000,000 of our securities, on terms to be determined at the time of the offering. Our securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

Our securities may be offered directly to one or more purchasers by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding the offering of our securities:

Use of proceeds	We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds."
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New York Stock Exchange symbol	"MAIN"
Dividends	<p>Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time.</p> <p>Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders.</p> <p>When we make monthly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.</p>
Taxation	<p>MSSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.</p> <p>Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations."</p>
Dividend reinvestment plan	<p>We have adopted a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an "opt out" reinvestment plan. As a result, if we declare dividends, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."</p>
Trading at a discount	<p>Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.</p>

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Sales of common stock below net asset value

The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. In this regard, on June 14, 2012, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for the period ending on the earlier of (i) June 14, 2013, the one year anniversary of our 2012 annual meeting of stockholders, and (ii) the date of our 2013 annual meeting of stockholders. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Sales by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See "Sales of Common Stock Below Net Asset Value."

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, or the "Exchange Act." You can inspect any materials we file with the SEC, without charge, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The information we file with the SEC is available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, TX 77056, by telephone at (713) 350-6000 or on our website at <http://www.mainstreetcapital.com>. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus, and you should not consider information contained on our website or on the SEC's website to be part of this prospectus.

Table of Contents**FEES AND EXPENSES**

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

***Stockholder Transaction Expenses:***

Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	%(3)

Total stockholder transaction expenses (as a percentage of offering price)	%(4)
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***Annual Expenses (as a percentage of net assets attributable to common stock):***

Operating expenses	2.86%(5)
Interest payments on borrowed funds	2.89%(6)
Income tax expense	1.18%(7)
Acquired fund fees and expenses	0.08%(8)

Total annual expenses	7.01%
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- (1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement will disclose the estimated offering expenses.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Operating expenses in this table represent the estimated expenses of MSCC and its consolidated subsidiaries, plus the estimated expenses of the Investment Manager as if it were consolidated with MSCC for accounting purposes. The Investment Manager is accounted for as a portfolio investment and is not consolidated with MSCC and its consolidated subsidiaries. See Note D to our consolidated financial statements for a detailed discussion of the financial and other arrangements between MSCC and its consolidated subsidiaries and the Investment Manager.
- (6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (7) Income tax expense relates to the accrual of (a) deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries and (b) excise, state and other taxes. Deferred taxes are non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable. Due to the variable nature of deferred tax expense, which is a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2011.



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- (8) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 69	\$ 204	\$ 333	\$ 634

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

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**RISK FACTORS**

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

**Risks Relating to Economic Conditions**

*Deterioration in the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Such economic adversity could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.*

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

Although we have been able to secure access to additional liquidity, including through the Credit Facility, periodic follow-on equity offerings, and the increase in available leverage through the SBIC program as part of the American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill"), the potential for volatility in the debt and equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

**Risks Relating to Our Business and Structure**

*Our investment portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.*

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value. Typically, there is not a public market for the securities of the privately held LMM companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent advisor (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors. In addition, the market for Middle Market portfolio investments is generally not a liquid market, and therefore, we primarily use observable inputs to determine the fair value of these investments quarterly through obtaining third party quotes and other independent pricing, which are reviewed by our audit committee with the oversight, review and approval of our Board of Directors. See "Business Determination of Net Asset Value and Portfolio Valuation Process" for a more detailed description of our valuation process.

The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by our Board of Directors. Certain factors that may be considered in determining the fair value of our

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investments include external events, such as private mergers, sales and acquisitions involving comparable companies. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize on one or more of our investments. As a result, investors purchasing our securities based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments will receive a lower price for their shares than the value of our investments might warrant.

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

Our ability to achieve our investment objective of maximizing our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company, depends on our ability to effectively manage and deploy capital, which depends, in turn, on our investment team's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

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

Even if we are able to grow and build upon our investment operations, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described herein, it could negatively impact our ability to pay dividends.

***We may face increasing competition for investment opportunities.***

We compete for investments with other investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the market for investments in LMM companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater

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experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

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

***Our success depends on attracting and retaining qualified personnel in a competitive environment.***

Our growth will require that we retain new investment and administrative personnel in a competitive market. Our ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, our ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities, including investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies, with which we compete for experienced personnel have greater resources than we have.

The competitive environment for qualified personnel may require us to take certain measures to ensure that we are able to attract and retain experienced personnel. Such measures may include increasing the attractiveness of our overall compensation packages, altering the structure of our compensation packages through the use of additional forms of compensation, or other steps. The inability to attract and retain experienced personnel would have a material adverse effect on our business.

***Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.***

We expect that members of our management team will maintain their relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisors, attorneys, accountants, consultants and other individuals within our network, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our management team fails to maintain its existing relationships or develop new relationships with sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom members of our management team have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us.

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

Our executive officers and employees, in their capacities as personnel of the Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders. In May 2012, the Investment Manager executed an investment sub-advisory agreement with HMS Adviser, LP, the investment advisor to HMS Income Fund, Inc., a newly-formed BDC whose registration statement on Form N-2 was declared effective by the SEC on June 4, 2012, to provide certain investment advisory services to HMS Adviser, LP. Under the investment sub-advisory agreement, the Investment Manager is entitled to 50% of the fees earned by HMS Adviser under its advisory agreement with HMS Income Fund. Although, the Investment



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Manager has consented to a waiver of all such fees and, as of June 30, 2012, has not received compensation under the investment sub-advisory agreement. The sub-advisory relationship requires the Investment Manager to commit resources to achieving HMS Income Fund's investment objective, while such resources were previously solely devoted to achieving our investment objective. Our investment objective and investment strategies are identical to those of HMS Income Fund and an investment appropriate for us or HMS Income Fund would be appropriate for the other entity. As a result, the Investment Manager may face conflicts in allocating investment opportunities between us and HMS Income Fund. Although the Investment Manager will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by other investment funds managed by our officers or employees, such as HMS Income Fund. In any such case, when the Investment Manager identifies an investment, it will be forced to choose which investment fund should make the investment. We have implemented an allocation policy to ensure the equitable distribution of such investment opportunities. We have applied to the SEC for exemptive relief to co-invest with HMS Income Fund, and if the relief is granted, we intend to make such co-investments in accordance with a predetermined allocation percentage approved by the independent members of each company's board of directors.

***Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.***

Our business will require capital to operate and grow. We may acquire such additional capital from the following sources:

*Senior Securities.* We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities. As a result of issuing senior securities, we will be exposed to additional risks, including the following:

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we will be prohibited from issuing debt securities or preferred stock and/or borrowing money from banks or other financial institutions and may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.

Any amounts that we use to service our debt or make payments on preferred stock will not be available for dividends to our common stockholders.

It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities and other indebtedness.

Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock.

*Additional Common Stock.* We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our Board of Directors determines that such sale is in the best interests of our stockholders, and our

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stockholders approve such sale. See " Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion of proposals approved by our stockholders that permit us to issue shares of our common stock below net asset value. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

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

MSMF and MSC II, our wholly owned subsidiaries, are licensed to act as SBICs and are regulated by the SBA. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. If the Funds fail to comply with applicable SBIC regulations, the SBA could, depending on the severity of the violation, limit or prohibit their use of debentures, declare outstanding debentures immediately due and payable, and/or limit them from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. Such actions by the SBA would, in turn, negatively affect us.

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

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our Credit Facility. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

As of June 30, 2012, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.1%

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(exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted average remaining maturity of 6.2 years as of June 30, 2012, and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us. In addition, as of June 30, 2012, we had \$88.0 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us. We do not currently anticipate materially increased levels of leverage through new or existing facilities in the immediate future.

*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)**

	<b>(10.0)%</b>	<b>(5.0)%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>10.0%</b>
Corresponding net return to common stockholder(2)	(18.4)%	(10.5)%	(2.6)%	5.3%	13.2%

- (1) Assumes \$843.0 million in total assets, \$308.0 million in debt outstanding, \$533.4 million in net assets, and an average cost of funds of 4.44%. Actual interest payments may be different. We do not currently anticipate materially increased levels of leverage through new or existing facilities in the immediate future.
- (2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our June 30, 2012 total assets of at least 1.6%.

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

#### ***We may experience fluctuations in our quarterly results.***

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

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

Our Board of Directors has the authority to modify or waive our current operating policies, investment criteria and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your investment.

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

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

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see "Material U.S. Federal Income Tax Considerations Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

The source income requirement will be satisfied if we obtain at least 90% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.

The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships."

Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Moreover, if we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

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

We intend to pay monthly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a

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specified level of cash distributions, previously projected distributions for future periods, or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. All distributions will be paid at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, each of the Funds' compliance with applicable SBIC regulations and such other factors as our Board of Directors may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

When we make monthly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes, which will result in higher tax liability when the shares are sold, even if they have not increased in value or have lost value. In addition, any return of capital will be net of any sales load and offering expenses associated with sales of shares of our common stock. In the future, our distributions may include a return of capital.

*We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income.*

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument or possibly in other circumstances; (ii) contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the three and six months ended June 30, 2012, (i) approximately 4.4% and 4.1%, respectively, of our total investment income was attributable to PIK interest income, (ii) approximately 2.4% and 2.4%, respectively, of our total investment income was attributable to amortization of original issue discount, (iii) approximately 0.8% and 1.4%, respectively, of our total investment income was attributable to cumulative dividend income, and (iv) approximately 0.2% and 0.1%, respectively, of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

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

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***We may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.***

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

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

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from the Funds. We will be partially dependent on the Funds for cash distributions to enable us to meet the RIC distribution requirements. The Funds may be limited by the Small Business Investment Act of 1958, and SBIC regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for the Funds to make certain distributions to maintain our eligibility for RIC status. We cannot assure you that the SBA will grant such waiver and if the Funds are unable to obtain a waiver, compliance with the SBIC regulations may result in loss of RIC tax treatment and a consequent imposition of an entity-level tax on us.

***Because we intend to distribute substantially all of our income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth, and regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital and make distributions.***

In order to satisfy the requirements applicable to a RIC and to minimize corporate-level taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income. We may carry forward excess undistributed taxable income into the next year, net of the 4% excise tax. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. As a BDC, we generally are required to meet an asset coverage ratio, as defined in the 1940 Act, of at least 200% immediately after each issuance of senior securities. This requirement limits the amount that we may borrow and may prohibit us from making distributions. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

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

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***Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.***

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. In this regard, on June 14, 2012, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for the period ending on the earlier of (i) June 14, 2013, the one year anniversary of our 2012 annual meeting of stockholders, and (ii) the date of our 2013 annual meeting of stockholders. Continued access to this exception will require approval of similar proposals at future stockholder meetings. At our 2008 annual meeting of stockholders, our stockholders approved a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or purchase shares of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below net asset value per share, such sales would result in an immediate dilution to the net asset value per share. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. In addition, if we issue securities to subscribe to, convert to or purchase shares of common stock, the exercise or conversion of such securities would increase the number of outstanding shares of our common stock. Any such exercise would be dilutive on the voting power of existing stockholders, and could be dilutive with regard to dividends and our net asset value, and other economic aspects of the common stock.

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted; however, the example below illustrates the effect of dilution to existing stockholders resulting from the sale of common stock at prices below the net asset value of such shares. Please see "Sales of Common Stock Below Net Asset Value" for a more complete discussion of the potentially dilutive impacts of an offering at a price less than net asset value, or NAV, per share.

*Illustration: Example of Dilutive Effect of the Issuance of Shares Below Net Asset Value.* Assume that Company XYZ has 1,000,000 total shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The net asset value per share of the common stock of Company XYZ is \$10.00. The following table illustrates the reduction to net asset value, or NAV, and the dilution experienced by

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Stockholder A following the sale of 40,000 shares of the common stock of Company XYZ at \$9.50 per share, a price below its NAV per share.

	Prior to Sale Below NAV	Following Sale Below NAV	Percentage Change
<b>Reduction to NAV</b>			
Total Shares Outstanding	1,000,000	1,040,000	4.0%
NAV per share	\$ 10.00	\$ 9.98	(0.2)%
<b>Dilution to Existing Stockholder</b>			
Shares Held by Stockholder A	10,000	10,000(1)	0.0%
Percentage Held by Stockholder A	1.00%	0.96%	(3.8)%
Total Interest of Stockholder A in NAV	\$ 100,000	\$ 99,808	(0.2)%

(1) Assumes that Stockholder A does not purchase additional shares in the sale of shares below NAV.

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

We, the Funds, and our portfolio companies are subject to applicable local, state and federal laws and regulations, including, without limitation, federal immigration laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage, through the Funds, and therefore, our ability to compete with other finance companies.

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

***Terrorist attacks, acts of war or natural disasters may affect any market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.***

Terrorist acts, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

**Risks Related to Our Investments**

***Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment.***

Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any



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collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

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

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

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

generally have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

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

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

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

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

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the extension of additional loans, the exercise of a warrant to purchase equity securities, or the funding of additional equity investments. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on

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our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment.

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

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

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

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

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

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement.

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Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

Finally, the value of the collateral securing our debt investment will ultimately depend on market and economic conditions, the availability of buyers and other factors. Therefore, there can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by our first or second priority liens. There is also a risk that such collateral securing our investments will decrease in value over time, will be difficult to sell in a timely manner, will be difficult to appraise and will fluctuate in value based upon the success of the portfolio company and market conditions. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by our second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

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

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

***We generally will not control our portfolio companies.***

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

***Defaults by our portfolio companies will harm our operating results.***

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

***Any unrealized depreciation we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.***

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any

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unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods.

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

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

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

Some of our debt investments will bear interest at variable rates and the interest income from these investments could be negatively affected by decreases in market interest rates. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Also, an increase in interest rates available to investors could make an investment in our securities less attractive if we are not able to increase our dividend rate, a situation which could reduce the value of our securities. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates. A decrease in market interest rates may also adversely impact our returns on idle funds, which would reduce our net investment income.

***We may not realize gains from our equity investments.***

Certain investments that we have made in the past and may make in the future include warrants or other equity securities. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, we may from time to time make non-control, equity investments in portfolio companies. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer; however, we may be unable to exercise these puts rights for the consideration provided in our investment documents if the issuer is in financial distress.

***Our marketable securities and idle funds investments are subject to risks similar to our portfolio company investments.***

Marketable securities and idle funds investments can include, among other things, secured and unsecured debt investments, independently rated debt investments and diversified bond funds. Many of

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these investments in debt obligations are, or would be if rated, below investment grade quality. Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, similar to our portfolio investments in our portfolio companies. See " Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment." Many of these marketable securities and idle funds investments are purchased through over the counter or other markets and are therefore liquid at the time of purchase but may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. See " The lack of liquidity in our investments may adversely affect our business" for a description of risks related to holding illiquid investments. In addition, domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may materially affect the market price of our marketable securities and idle funds investments. Other risks that our portfolio investments are subject to are also applicable to these marketable securities and idle funds investments.

**Risks Relating to Our Securities**

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

Shares of closed-end investment companies, including BDCs, may trade at a discount to net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below net asset value, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. See " Risks Relating to Our Business and Structure Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion of a proposal approved by our stockholders that permits us to issue shares of our common stock below net asset value.

*We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.*

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

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest the capital primarily in marketable securities and idle funds investments, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for

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our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

***Investing in our securities may involve an above average degree of risk.***

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

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

Fluctuations in the trading prices of our securities may adversely affect the liquidity of the trading market for our securities and, if we seek to raise capital through future securities offerings, our ability to raise such capital. The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs, BDCs or SBICs;

inability to obtain any exemptive relief that may be required by us in the future from the SEC;

loss of our BDC or RIC status or either of the Funds' status as an SBIC;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

any shortfall in our investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;

loss of a major funding source;

fluctuations in interest rates;

the operating performance of companies comparable to us;

departure of our key personnel;

global or national credit market changes; and

general economic trends and other external factors.

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

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third-party bids for ownership of our company. These provisions may prevent any premiums being offered to you for our common stock.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

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

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

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

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

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



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**USE OF PROCEEDS**

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

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

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

The following table sets forth, for each fiscal quarter since our common stock began trading, the range of high and low closing prices of our common stock as reported on the NYSE and on the NASDAQ Global Select Market, as applicable, and the sales price as a percentage of the net asset value per share of our common stock ("NAV").

	Price Range			Percentage of High Sales Price to NAV(2)	Percentage of Low Sales Price to NAV(2)
	NAV(1)	High	Low		
<b>Year ending December 31, 2012</b>					
Fourth Quarter (to October 18, 2012)	*	\$ 30.52	\$ 29.28	*	*
Third Quarter	*	29.53	24.25	*	*
Second Quarter	\$ 16.89	26.68	22.04	158%	130%
First Quarter	15.72	25.61	21.18	163	135
<b>Year ended December 31, 2011</b>					
Fourth Quarter	\$ 15.19	\$ 21.24	\$ 17.03	140%	112%
Third Quarter	14.49	19.39	15.98	134	110
Second Quarter	14.24	19.03	17.99	134	126
First Quarter	13.90	19.71	17.86	142	128
<b>Year ended December 31, 2010</b>					
Fourth Quarter	\$ 13.06	\$ 18.19	\$ 16.01	139%	123%
Third Quarter	12.73	16.90	14.78	133	116
Second Quarter	12.21	16.90	13.71	138	112
First Quarter	11.95	16.14	13.95	135	117
<b>Year ended December 31, 2009</b>					
Fourth Quarter	\$ 11.96	\$ 16.35	\$ 13.29	137%	111%
Third Quarter	12.01	14.25	13.03	119	108
Second Quarter	11.80	14.74	9.66	125	82
First Quarter	11.84	10.43	9.07	88	77
<b>Year ended December 31, 2008</b>					
Fourth Quarter	\$ 12.20	\$ 11.95	\$ 8.82	98%	72%
Third Quarter	12.49	14.40	11.38	115	91
Second Quarter	13.02	14.40	10.90	111	84
First Quarter	12.87	14.10	12.75	110	99
<b>Year ended December 31, 2007</b>					
October 5, 2007 to December 31, 2007(3)	\$ 12.85	\$ 15.02	\$ 13.60	117%	106%

- (1) Net asset value per share, or NAV, is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the third or fourth quarters of 2012.
- (2) Calculated as the respective high or low share price divided by NAV for such quarter.
- (3) Our stock began trading on October 5, 2007.

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On October 18, 2012, the last sale price of our common stock on the NYSE was \$29.80 per share.

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

From our IPO through the third quarter of 2008, we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis.

The following table summarizes our dividends declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount(1)</b>
<b>Fiscal year 2012</b>			
July 31, 2012	November 21, 2012	December 14, 2012	\$ 0.150
July 31, 2012	October 19, 2012	November 15, 2012	\$ 0.150
July 31, 2012	September 20, 2012	October 15, 2012	\$ 0.150
May 1, 2012	August 21, 2012	September 14, 2012	\$ 0.145
May 1, 2012	July 20, 2012	August 15, 2012	\$ 0.145
May 1, 2012	June 21, 2012	July 16, 2012	\$ 0.145
March 6, 2012	May 21, 2012	June 15, 2012	\$ 0.140
March 6, 2012	April 20, 2012	May 15, 2012	\$ 0.140
March 6, 2012	March 21, 2012	April 16, 2012	\$ 0.140
December 8, 2011	February 22, 2012	March 15, 2012	\$ 0.135
December 8, 2011	January 18, 2012	February 15, 2012	\$ 0.135
December 8, 2011	December 21, 2011	January 16, 2012	\$ 0.135(2)
Total			\$ 1.710
<b>Fiscal year 2011</b>			
August 4, 2011	November 21, 2011	December 15, 2011	\$ 0.135(2)
August 4, 2011	October 20, 2011	November 15, 2011	\$ 0.135(2)
August 4, 2011	September 21, 2011	October 14, 2011	\$ 0.135(2)
June 7, 2011	June 22, 2011	July 15, 2011	\$ 0.130(2)
June 7, 2011	July 21, 2011	August 15, 2011	\$ 0.130(2)
June 7, 2011	August 19, 2011	September 15, 2011	\$ 0.130(2)
March 9, 2011	March 24, 2011	April 15, 2011	\$ 0.130(2)
March 9, 2011	April 21, 2011	May 16, 2011	\$ 0.130(2)
March 9, 2011	May 20, 2011	June 15, 2011	\$ 0.130(2)
December 9, 2010	February 22, 2011	March 15, 2011	\$ 0.125(2)
December 9, 2010	January 20, 2011	February 15, 2011	\$ 0.125(2)
December 9, 2010	January 6, 2011	January 14, 2011	\$ 0.125(2)
Total			\$ 1.560
<b>Fiscal year 2010</b>			
September 8, 2010	November 19, 2010	December 15, 2010	\$ 0.125(3)
September 8, 2010	October 21, 2010	November 15, 2010	\$ 0.125(3)
September 8, 2010	September 23, 2010	October 15, 2010	\$ 0.125(3)
June 3, 2010	August 20, 2010	September 15, 2010	\$ 0.125(3)

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<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount(1)</b>
June 3, 2010	July 21, 2010	August 16, 2010	\$ 0.125(3)
June 3, 2010	June 21, 2010	July 15, 2010	\$ 0.125(3)
March 9, 2010	May 20, 2010	June 15, 2010	\$ 0.125(3)
March 9, 2010	April 21, 2010	May 14, 2010	\$ 0.125(3)
March 9, 2010	March 25, 2010	April 15, 2010	\$ 0.125(3)
December 8, 2009	February 22, 2010	March 15, 2010	\$ 0.125(3)
December 8, 2009	January 21, 2010	February 16, 2010	\$ 0.125(3)
December 8, 2009	January 6, 2010	January 15, 2010	\$ 0.125(3)
<b>Total</b>			<b>\$ 1.500</b>
<b>Fiscal year 2009</b>			
<b>Total</b>			<b>\$ 1.500(4)(5)</b>
<b>Fiscal year 2008</b>			
<b>Total</b>			<b>\$ 1.425(5)</b>
<b>Fiscal year 2007</b>			
<b>Total</b>			<b>\$ 0.330(6)</b>
<b>Cumulative dividends declared or paid</b>			<b>\$ 8.025</b>

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- (1) The determination of the tax attributes of Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.
- (2) These dividends attributable to fiscal year 2011 for tax purposes were comprised of ordinary income of \$1.25 per share, long term capital gain of \$0.37 per share, and qualified dividend income of \$0.07 per share and included dividends declared during fiscal year 2011 and the dividend declared and accrued as of December 31, 2011 and paid on January 16, 2012, pursuant to the Code.
- (3) These dividends attributable to fiscal year 2010 for tax purposes were comprised of ordinary income of \$1.22 per share, long term capital gain of \$0.27 per share, and qualified dividend income of \$0.01 per share.
- (4) These dividends attributable to fiscal year 2009 for tax purposes were comprised of ordinary income of \$1.22 per share and long term capital gain of \$0.16 per share.
- (5) These dividends attributable to fiscal year 2008 for tax purposes were comprised of ordinary income of \$0.95 per share and long term capital gain of \$0.60 per share and included dividends declared during fiscal year 2008 and the dividend declared and accrued as of December 31, 2008 and paid on January 15, 2009, pursuant to the Code.
- (6) This quarterly dividend attributable to fiscal year 2007 was comprised of ordinary income of \$0.105 per share and long term capital gain of \$0.225 per share.

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



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income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income, less amounts carried over into the following year, and the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay a 4% excise tax for the excess over 98% of our annual taxable income in excess of distributions for the year. We may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they had received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, our stockholders also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable shares of the tax we paid on the capital gains deemed distributed to them. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

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

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

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The following table contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus.

	<b>For the Six Months Ended June 30, 2012</b>	<b>For the Year Ended December 31, 2011</b>	<b>For the Year Ended December 31, 2010</b>	<b>For the Year Ended December 31, 2009</b>	<b>For the Year Ended December 31, 2008</b>	<b>For the Year Ended December 31, 2007</b>
Earnings to Fixed Charges(1)	7.32	6.21	5.52	3.55	3.05	2.79

- (1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

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The selected financial and other data below reflects the consolidated financial condition and the consolidated statement of operations of Main Street and its subsidiaries as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 and as of and for the six months ended June 30, 2012 and 2011. The selected financial data at December 31, 2011, 2010, 2009, 2008 and 2007 and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data at June 30, 2012, and for the six months ended June 30, 2012 and 2011, 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 financial condition and operating results for such interim periods. Interim results as of and for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. You should read this selected financial data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes included in this prospectus.

	Six Months Ended June 30,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(dollars in thousands)						
	(Unaudited)						
<b>Statement of operations data:</b>							
Investment income:							
Total interest, fee and dividend income	\$ 39,912	\$ 29,113	\$ 65,045	\$ 35,645	\$ 14,514	\$ 16,123	\$ 11,312
Interest from idle funds and other	1,489	391	1,195	863	1,488	1,172	1,163
<b>Total investment income</b>	<b>41,401</b>	<b>29,504</b>	<b>66,240</b>	<b>36,508</b>	<b>16,002</b>	<b>17,295</b>	<b>12,475</b>
Expenses:							
Interest	(8,044)	(6,166)	(13,518)	(9,058)	(3,791)	(3,778)	(3,246)
General and administrative	(1,162)	(1,107)	(2,483)	(1,437)	(1,351)	(1,684)	(512)
Expenses reimbursed to Investment Manager	(5,359)	(4,337)	(8,915)	(5,263)	(570)	(1,007)	
Share-based compensation	(1,161)	(886)	(2,047)	(1,489)	(1,068)	(511)	
Management fees to affiliate							(1,500)
Professional costs related to initial public offering							(695)
<b>Total expenses</b>	<b>(15,726)</b>	<b>(12,496)</b>	<b>(26,963)</b>	<b>(17,247)</b>	<b>(6,780)</b>	<b>(6,980)</b>	<b>(5,953)</b>
Net investment income	25,675	17,008	39,277	19,261	9,222	10,315	6,522
Total net realized gain (loss) from investments	4,809	250	2,639	(2,880)	(7,798)	1,398	4,692
Net realized income	30,484	17,258	41,916	16,381	1,424	11,713	11,214
Total net change in unrealized appreciation (depreciation) from investments	20,380	14,012	28,478	19,639	8,242	(3,961)	(5,406)
Income tax benefit (provision)	(2,872)	(3,163)	(6,288)	(941)	2,290	3,182	(3,263)
Bargain purchase gain				4,891			
Net increase in net assets resulting from operations	47,992	28,107	64,106	39,970	11,956	10,934	2,545
Noncontrolling interest	(54)	(158)	(1,139)	(1,226)			
Net increase in net assets resulting from operations attributable to common stock	\$ 47,938	\$ 27,949	\$ 62,967	\$ 38,744	\$ 11,956	\$ 10,934	\$ 2,545
Net investment income per share basic and diluted	\$ 0.94	\$ 0.79	\$ 1.69	\$ 1.16	\$ 0.92	\$ 1.13	\$ 0.76
Net realized income per share basic and diluted	\$ 1.12	\$ 0.80	\$ 1.80	\$ 0.99	\$ 0.14	\$ 1.29	\$ 1.31
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	\$ 1.77	\$ 1.32	\$ 2.76	\$ 2.38	\$ 1.19	\$ 1.20	\$ 0.30
Weighted average shares outstanding basic and diluted	27,118,421	21,128,360	22,850,299	16,292,846	10,042,639	9,095,904	8,587,701





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	As of June 30, 2012	2011	2010	2009	2008	2007
			As of December 31, (dollars in thousands)			
(Unaudited)						
<b>Balance sheet data:</b>						
Assets:						
Total portfolio investments at fair value	\$ 790,794	\$ 658,093	\$ 407,987	\$ 159,154	\$ 127,007	\$ 105,650
Marketable securities and idle funds investments	8,149	26,242	9,577	839	4,390	24,063
Cash and cash equivalents	31,976	42,650	22,334	30,620	35,375	41,889
Deferred tax asset, net			1,958	2,716	1,121	
Interest receivable and other assets	8,099	6,539	4,524	1,510	1,101	1,576
Deferred financing costs, net of accumulated amortization	3,993	4,168	2,544	1,611	1,635	1,670
<b>Total assets</b>	<b>\$ 843,011</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
Liabilities and net assets:						
SBIC debentures at fair value	\$ 203,396	\$ 201,887	\$ 155,558	\$ 65,000	\$ 55,000	\$ 55,000
Credit facility	88,000	107,000	39,000			
Deferred tax liability, net	5,398	3,776				3,026
Interest payable	3,884	3,984	3,195	1,069	1,108	1,063
Dividend payable	2,955	2,856			726	
Accounts payable and other liabilities	5,974	7,001	1,188	721	1,439	610
<b>Total liabilities</b>	<b>309,607</b>	<b>326,504</b>	<b>198,941</b>	<b>66,790</b>	<b>58,273</b>	<b>59,699</b>
<b>Total net asset value</b>	<b>533,404</b>	<b>405,711</b>	<b>245,535</b>	<b>129,660</b>	<b>112,356</b>	<b>115,149</b>
Noncontrolling interest		5,477	4,448			
<b>Total liabilities and net assets</b>	<b>\$ 843,011</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
<b>Other data:</b>						
Weighted average effective yield on LMM debt investments(1)	15.0%	14.8%	14.5%	14.3%	14.0%	14.3%
Number of LMM portfolio companies(2)	54	54	44	35	31	27
Weighted average effective yield on Middle Market debt investments(1)	8.7%	9.5%	10.5%	11.8%	N/A	N/A
Number of Middle Market portfolio companies	77	57	32	6	N/A	N/A
Expense ratios (as percentage of average net assets):						
Total expenses, including income tax expense	4.1%(4)(5)	9.8%(4)	8.8%(4)	5.6%	6.1%	16.2%(3)
Operating expenses	3.4%(4)(5)	8.0%(4)	8.3%(4)	5.6%	6.1%	10.5%(3)
Operating expenses, excluding interest expense	1.7%(4)(5)	4.0%(4)	4.0%(4)	2.5%	2.8%	4.8%(3)

- (1) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status.
- (2) Excludes the investment in affiliated Investment Manager, as discussed elsewhere in this prospectus.
- (3) The ratio for the year ended December 31, 2007 reflects the impact of professional costs related to the IPO. These costs were 25.7% of operating expenses for the year.
- (4)

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Ratios are net of amounts attributable to MSC II non-controlling interest.

(5)

Not annualized.

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

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

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

**ORGANIZATION**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first quarter of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the completion of the Final MSC II Exchange, MSCC owns 100% of MSC II. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

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

**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies and our Middle Market portfolio companies had weighted average annual revenues of \$519 million as of June 30, 2012. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the lower middle market creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or "one stop" financing. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of June 30, 2012, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$423.6 million, with a total cost basis of approximately \$340.8 million, and a weighted average annual effective yield on our LMM debt investments of approximately 15.0%. Approximately 78% of our total LMM portfolio investments at cost were in the form of debt investments and 95% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of June 30, 2012. At June 30, 2012, we had equity ownership in approximately 91% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including

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amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

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

As of June 30, 2012, we had Middle Market portfolio investments in 77 companies collectively totaling approximately \$343.4 million in fair value with a total cost basis of approximately \$341.8 million. The weighted average revenues for the 77 Middle Market portfolio company investments were approximately \$519 million. Our Middle Market debt investments are primarily in the form of debt investments and 91% of such debt investments at cost were secured by first priority liens on portfolio company assets as of June 30, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.7% as of June 30, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of June 30, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$23.6 million in fair value and \$23.4 million in cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing

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investment and portfolio management professionals through the Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the three and six months ended June 30, 2012, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.9% and 2.0% respectively, on an annualized basis, compared to 2.3% and 2.4% respectively, on an annualized basis for the three and six months ended June 30, 2011 and 2.2% for the year ended December 31, 2011.

In addition, during May of 2012, the Investment Manager executed an investment sub-advisory agreement with HMS Adviser, LP, which is the investment advisor to HMS Income Fund, Inc., a newly-formed BDC whose registration statement on Form N-2 was declared effective by the SEC on June 4, 2012, to provide certain investment advisory services to HMS Adviser, LP.

For the six months ended June 30, 2012, we paid dividends on a monthly basis totaling \$0.825 per share, or \$22.2 million. In May 2012, we declared monthly dividends for the third quarter of 2012 totaling \$0.435 per share representing an 11.5% increase compared to the monthly dividends for the third quarter of 2011 and a 3.6% increase compared to the second quarter of 2012. In July 2012, we declared monthly dividends of \$0.15 per share for each of October, November and December 2012. These monthly dividends equal a total of \$0.45 per share for the fourth quarter of 2012. The fourth quarter 2012 dividends represent an 11.1% increase from the dividends declared for the fourth quarter of 2011 and a 3.4% increase compared to the third quarter of 2012. During 2011, we paid monthly dividends of \$1.56 per share for the entire year. Including the dividends declared for the third and fourth quarters, we will pay a total of \$1.71 per share during 2012. Including the dividends declared for the third and fourth quarters of 2012, we will have paid approximately \$8.03 per share in cumulative dividends since our October 2007 initial public offering.

At June 30, 2012, we had \$32.0 million in cash and cash equivalents and \$8.1 million in "Marketable securities and idle funds investments". In June 2012, we completed a follow-on public stock offering in which we sold 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share (or approximately 143% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$93.0 million, after deducting underwriters' commissions and offering costs.

In May 2012, we expanded the Credit Facility from \$235 million to \$277.5 million to provide additional liquidity in support of future investment and operational activities. The \$42.5 million increase in total commitments included commitment increases by three lenders currently participating in the Credit Facility. The Credit Facility contains an upsized accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments.

In July 2012, we further expanded the Credit Facility from \$277.5 million to \$287.5 million. The \$10.0 million increase in total commitments included the addition of one new lender relationship which further diversifies the Main Street lending group to a total of nine participants.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For the three and six months ended June 30, 2012 and 2011, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries. Portfolio investments, as used

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herein, refers to all of our portfolio investments in LMM companies, Middle Market portfolio investments, Other Portfolio investments and our investment in the Investment Manager but excludes all of our "Marketable securities and idle funds investments." "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations for the three and six months ended June 30, 2012 and 2011, cash flows for the six months ended June 30, 2012 and 2011 and financial position as of June 30, 2012 and December 31, 2011, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including certain investments previously classified as Marketable securities and idle funds investments that are now considered a part of the Middle Market portfolio and are now classified as "Non-Control/Non-Affiliate investments."

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2011. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of June 30, 2012 and December 31, 2011, approximately 94% and 89%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including our investment in the Investment Manager). We are required to report our investments at fair value. We follow the provisions of the Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality



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of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

Our portfolio strategy calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. All of our portfolio investments may be subject to restrictions on resale. LMM companies and Other Portfolio companies generally have no established trading market while Middle Market securities generally have established markets that are not active. We determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. For LMM investments, we review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For Middle Market portfolio debt and Other Portfolio debt investments, we primarily use observable inputs such as quoted prices in the valuation process. For Other Portfolio equity investments we generally value such investments based on the fair value of the portfolio company as determined by independent third parties, and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of the portfolio.

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

For valuation purposes, "non-control" LMM portfolio investments are composed of debt and equity securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for non-control LMM portfolio investments. For our non-control LMM investments, we use a combination of the market and income approaches to value our equity investments and the income approach to value our debt investments. For non-control LMM debt investments, we determine the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements,

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as well as the financial position and credit risk of each of these portfolio investments. Our estimate of the expected repayment date of a LMM debt security is generally the legal maturity date of the instrument, as we generally intend to hold our loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the fair value will not exceed the face amount of the LMM debt security. A change in the assumptions that we use to estimate the fair value of our LMM debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a LMM debt security is in workout status, we may consider other factors in determining the fair value of the LMM debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. For valuation purposes, all of our Middle Market portfolio investments are non-control investments and are primarily composed of debt securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or independent pricing. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we generally use an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments.

For valuation purposes, all of our Other Portfolio investments are non-control investments and are composed of securities for which we generally do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. We value our Other Portfolio equity investments based on the fair value of the portfolio company as determined by independent third parties and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Other Portfolio debt investments with observable inputs, we determine the fair value of these investments through obtaining third party quotes or other independent pricing. To the extent observable inputs are not available for our Other Portfolio debt instruments, we value these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value our non-control LMM portfolio debt investments.

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

***Revenue Recognition***

***Interest and Dividend Income***

We record interest and dividend income on the accrual basis to the extent amounts are expected to be collected. Dividend income is recorded as dividends are declared or at the point an obligation exists for the portfolio company to make a distribution. In accordance with our valuation policy, we evaluate accrued interest and dividend income periodically for collectability. When a loan or debt security

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becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we will generally place the loan or debt security on non-accrual status and cease recognizing interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding the debtor's ability to service the debt or other obligations, or if a loan or debt security is fully impaired, sold or written off, we will remove it from non-accrual status.

*Fee Income*

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

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

We hold debt and preferred equity instruments in our investment portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any unpaid dividends are added to the balance of the preferred equity investment. The actual collection of these dividends may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We will stop accruing PIK interest and cumulative dividends and will write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible.

*Share-Based Compensation*

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

*Income Taxes*

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial

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statements. The principal purpose of the Taxable Subsidiaries is to permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes in order to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense or income tax benefit as a result of their ownership of various portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street's Consolidated Statement of Operations.

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

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

### **PORTFOLIO INVESTMENT COMPOSITION**

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

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

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

Cost:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
First lien debt	73.6%	90.7%	82.1%	69.5%	81.8%	74.4%
Equity	17.7%	0.2%	9.0%	20.5%	0.2%	12.5%
Second lien debt	4.1%	9.1%	6.6%	5.0%	18.0%	10.1%
Equity warrants	4.6%	0.0%	2.3%	5.0%	0.0%	3.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Fair Value:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
First lien debt	59.3%	90.7%	73.4%	57.7%	81.7%	66.2%
Equity	30.0%	0.2%	16.6%	29.0%	0.3%	18.8%
Second lien debt	3.3%	9.1%	5.9%	4.4%	18.0%	9.2%
Equity warrants	7.4%	0.0%	4.1%	8.9%	0.0%	5.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

Cost:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Southwest	42.7%	16.6%	29.6%	47.8%	16.4%	35.4%
West	32.4%	13.6%	23.0%	31.9%	13.7%	24.7%
Midwest	12.1%	28.5%	20.3%	9.0%	21.6%	14.0%
Northeast	4.6%	30.0%	17.3%	3.9%	32.6%	15.2%
Southeast	8.2%	7.0%	7.6%	7.4%	15.7%	10.7%
Other	0.0%	4.3%	2.2%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Southwest	46.4%	16.6%	33.0%	52.1%	16.2%	39.3%
West	30.5%	13.6%	22.9%	28.9%	13.8%	23.6%
Midwest	11.9%	28.6%	19.4%	8.7%	21.9%	13.4%
Northeast	4.4%	29.9%	15.8%	3.9%	32.4%	14.0%
Southeast	6.8%	6.9%	6.9%	6.4%	15.7%	9.7%
Other	0.0%	4.4%	2.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

Cost:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Media	8.8%	8.6%	8.7%	8.7%	6.6%	7.9%
Energy Equipment and Services	10.0%	5.0%	7.5%	9.2%	7.5%	8.5%
Health Care Providers and Services	6.3%	8.0%	7.2%	6.5%	9.1%	7.5%
Machinery	9.7%	4.3%	7.0%	9.9%	2.1%	6.9%
Commercial Services and Supplies	12.3%	1.4%	6.8%	15.4%	0.9%	9.7%
Software	4.8%	7.6%	6.2%	2.8%	8.4%	5.0%
Specialty Retail	8.2%	3.7%	6.0%	5.3%	5.6%	5.4%
Construction and Engineering	5.5%	2.9%	4.2%	5.3%	0.0%	5.0%
Chemicals	0.0%	6.8%	3.4%	0.0%	3.8%	1.5%
Food Products	0.0%	6.7%	3.4%	0.0%	3.9%	1.6%
Electronic Equipment, Instruments and Components	4.0%	1.9%	3.0%	4.6%	0.0%	2.8%
Containers and Packaging	0.0%	4.5%	2.2%	0.0%	1.3%	0.5%
Food and Staples Retailing	0.0%	4.1%	2.1%	0.0%	6.2%	2.5%
Diversified Consumer Services	4.3%	0.0%	2.1%	2.7%	0.0%	1.6%
IT Services	0.0%	4.2%	2.1%	0.0%	4.1%	1.6%
Construction Materials	1.2%	3.0%	2.0%	1.1%	4.4%	0.7%
Oil, Gas and Consumable Fuels	0.0%	3.7%	1.9%	0.0%	0.0%	0.0%
Metals and Mining	0.0%	3.9%	1.9%	0.0%	0.0%	0.0%
Consumer Finance	3.0%	0.6%	1.8%	3.0%	0.9%	2.1%
Health Care Equipment and Supplies	2.1%	1.5%	1.8%	2.2%	1.2%	1.8%
Hotels, Restaurants and Leisure	2.3%	1.1%	1.7%	2.1%	7.2%	4.1%
Insurance	3.4%	0.0%	1.7%	3.1%	2.6%	2.9%
Building Products	2.8%	0.7%	1.7%	2.6%	0.0%	1.6%
Professional Services	2.6%	0.0%	1.3%	3.5%	0.0%	2.1%
Internet Software and Services	0.4%	2.2%	1.3%	3.0%	0.0%	1.8%
Paper and Forest Products	2.3%	0.0%	1.2%	2.2%	0.0%	1.3%
Transportation Infrastructure	2.1%	0.0%	1.0%	2.0%	0.0%	1.2%
Pharmaceuticals	0.0%	1.8%	0.9%	0.0%	2.6%	1.0%
Internet and Catalog Retail	0.0%	1.5%	0.8%	0.0%	2.2%	0.9%
Biotechnology	0.0%	1.4%	0.7%	0.0%	2.2%	0.8%
Auto Components	0.0%	1.1%	0.6%	0.0%	2.9%	1.2%
Real Estate Management and Development	0.0%	0.8%	0.4%	0.0%	2.5%	1.0%
Electric Utilities	0.0%	0.6%	0.3%	0.0%	2.0%	0.8%
Thriffs and Mortgage Finance	0.0%	0.3%	0.1%	0.0%	2.0%	0.8%
Other(1)	3.9%	6.1%	5.0%	4.8%	7.8%	5.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes various industries with each industry individually less than 2.0% of the total LMM portfolio, total Middle Market portfolio and combined total LMM and Middle Market portfolio in each period.

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Fair Value:	June 30, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Energy Equipment and Services	12.7%	5.0%	9.2%	11.2%	7.5%	9.8%
Machinery	12.2%	4.3%	8.6%	10.7%	2.2%	7.1%
Media	7.1%	8.6%	7.7%	7.4%	6.5%	7.1%
Health Care Providers and Services	7.1%	8.0%	7.5%	7.4%	9.0%	7.9%
Commercial Services and Supplies	10.5%	1.4%	6.4%	13.5%	0.9%	9.0%
Software	4.5%	7.7%	5.9%	2.8%	8.4%	4.8%
Construction and Engineering	6.4%	2.8%	4.9%	6.0%	0.0%	5.5%
Specialty Retail	5.7%	3.5%	4.7%	3.8%	5.2%	4.3%
Diversified Consumer Services	5.6%	0.0%	3.1%	3.7%	0.0%	2.4%
Chemicals	0.0%	6.9%	3.1%	0.0%	3.8%	1.3%
Food Products	0.0%	6.7%	3.0%	0.0%	4.0%	1.4%
Electronic Equipment, Instruments and Components	3.2%	2.0%	2.7%	3.7%	0.0%	2.4%
Containers and Packaging	0.0%	4.5%	2.0%	0.0%	1.3%	0.5%
Hotels, Restaurants and Leisure	2.6%	1.1%	1.9%	2.5%	7.2%	4.2%
Food and Staples Retailing	0.0%	4.2%	1.9%	0.0%	6.3%	2.2%
IT Services	0.0%	4.2%	1.9%	0.0%	3.8%	1.4%
Construction Materials	0.8%	3.0%	1.7%	0.8%	4.5%	0.5%
Oil, Gas and Consumable Fuels	0.0%	3.8%	1.7%	0.0%	0.0%	0.0%
Metals and Mining	0.0%	3.9%	1.8%	0.0%	0.0%	0.0%
Internet Software and Services	1.2%	2.2%	1.6%	5.8%	0.0%	3.7%
Consumer Finance	2.4%	0.6%	1.6%	2.5%	0.9%	1.9%
Insurance	2.7%	0.0%	1.5%	2.6%	2.6%	2.6%
Trading Companies and Distributors	2.8%	0.0%	1.5%	2.6%	0.0%	1.7%
Professional Services	2.1%	0.0%	1.2%	2.2%	0.0%	1.4%
Paper and Forest Products	2.2%	0.0%	1.2%	2.2%	0.0%	1.4%
Transportation Infrastructure	2.0%	0.0%	1.1%	2.0%	0.0%	1.3%
Pharmaceuticals	0.0%	1.8%	0.8%	0.0%	2.8%	1.0%
Internet and Catalog Retail	0.0%	1.5%	0.7%	0.0%	2.2%	0.8%
Biotechnology	0.0%	1.3%	0.6%	0.0%	2.1%	0.7%
Auto Components	0.0%	1.1%	0.5%	0.0%	3.0%	1.1%
Real Estate Management and Development	0.0%	0.8%	0.3%	0.0%	2.6%	0.9%
Electric Utilities	0.0%	0.6%	0.3%	0.0%	2.0%	0.7%
Thriffs and Mortgage Finance	0.0%	0.3%	0.1%	0.0%	2.1%	0.7%
Other(1)	6.2%	8.2%	7.3%	6.6%	9.1%	7.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes various industries with each industry individually less than 2.0% of the total LMM portfolio, total Middle Market portfolio and combined total LMM and Middle Market portfolio in each period.

Our LMM, Middle Market and Other Portfolio investments carry a number of risks including, but not limited to: (1) investing in LMM, Middle Market and Other Portfolio companies which may have limited operating histories and financial resources; (2) holding investments that generally are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in LMM, Middle Market and Other Portfolio companies.

Table of Contents**PORTFOLIO ASSET QUALITY**

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company. Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations. Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations. Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations. Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us. Investment Rating 5 represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment. All new LMM portfolio investments receive an initial 3 rating.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of June 30, 2012 and December 31, 2011:

Investment Rating	June 30, 2012		December 31, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(Unaudited)				
(dollars in thousands)				
1	\$ 159,146	37.6%	\$ 125,505	30.2%
2	99,979	23.6%	119,234	28.7%
3	139,835	33.0%	152,910	36.7%
4	24,643	5.8%	17,765	4.3%
5		0.0%	250	0.1%
Totals	\$ 423,603	100.0%	\$ 415,664	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio was approximately 2.1 as of June 30, 2012 and 2.2 as of December 31, 2011.

For the total investment portfolio, as of June 30, 2012, we had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total portfolio investments at cost on non-accrual status, excluding the investment in the affiliated Investment Manager. As of December 31, 2011, we had one investment with positive fair value on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and, together with another fully impaired investment, comprised approximately 0.9% of the total portfolio investments at cost, in each case excluding the investment in the affiliated Investment Manager.

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



Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the three months ended June 30, 2012 and June 30, 2011*

	Three Months Ended June 30,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Total investment income	\$ 20.8	\$ 16.1	\$ 4.7	29%
Total expenses	(8.0)	(6.5)	(1.5)	23%
Net investment income	12.8	9.6	3.2	33%
Net realized gain (loss) from investments	(3.3)	0.3	(3.6)	NM
Net realized income	9.5	9.9	(0.4)	(4)%
Net change in unrealized appreciation	15.7	9.9	5.8	58%
Income tax provision	(1.0)	(2.0)	1.0	(49)%
Noncontrolling interest		(0.2)	0.2	NM
Net increase in net assets resulting from operations attributable to common stock	\$ 24.2	\$ 17.6	\$ 6.6	37%

	Three Months Ended June 30,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Net investment income	\$ 12.8	\$ 9.6	\$ 3.2	33%
Share-based compensation expense	0.6	0.4	0.2	31%
Distributable net investment income(a)	13.4	10.0	3.4	33%
Net realized gain (loss) from investments	(3.3)	0.3	(3.6)	NM
Distributable net realized income(a)	\$ 10.1	\$ 10.3	\$ (0.2)	(2)%
Distributable net investment income per share				
Basic and diluted(a)(b)	\$ 0.49	\$ 0.43	\$ 0.06	14%
Distributable net realized income per share				
Basic and diluted(a)(b)	\$ 0.37	\$ 0.44	\$ (0.07)	(16)%

(a)

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



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- (b) For the three months ended June 30, 2012, per share amounts reflect MSCC ownership of 100% of the equity interests in MSC II in connection with MSCC's completion of the Final MSC II Exchange during the first quarter of 2012. For the three months ended June 30, 2011, per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II not owned by Main Street.

*Investment Income*

For the three months ended June 30, 2012, total investment income was \$20.8 million, a 29% increase over the \$16.1 million for the corresponding period of 2011. This comparable period increase was principally attributable to a \$4.7 million increase in interest income from higher average levels of portfolio debt investments, partially offset by a \$0.1 million decrease in dividend income from portfolio equity investments primarily due to a \$0.3 million special dividend from one portfolio equity investment received in the second quarter of 2011. The increase in investment income included a \$0.4 million increase in investment income associated with higher levels of accelerated prepayment activity for certain portfolio debt investments and marketable securities investments in comparison to the second quarter of 2011.

*Expenses*

For the three months ended June 30, 2012, total expenses increased by approximately \$1.5 million to \$8.0 million from \$6.5 million in the corresponding period of 2011. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$0.9 million as a result of increased borrowing activity under the Credit Facility and the issuance of an additional \$10 million in SBIC debentures subsequent to June 30, 2011, (ii) higher share-based compensation expense of \$0.1 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$0.4 million related to the increases in investment income and the investment portfolio compared to the corresponding period of 2011. The ratio of total operating expenses, excluding interest expense, as a percentage of average total assets for the three months ended June 30, 2012 was 1.9% on an annualized basis, compared to 2.3% on an annualized basis for the corresponding period of 2011.

*Distributable Net Investment Income*

Distributable net investment income for the three months ended June 30, 2012 increased 33% to \$13.4 million, or \$0.49 per share, compared with \$10.0 million, or \$0.43 per share, in the corresponding period of 2011. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the second quarter of 2012 reflects (i) an increase of approximately \$0.01 per share from the comparable period in 2011 in investment income attributable to higher levels of accelerated prepayment activity for certain portfolio debt investments and marketable securities investments and (ii) a greater number of average shares outstanding compared to the corresponding period in 2011 primarily due to the October 2011 and June 2012 follow-on stock offerings.

*Net Investment Income*

Net investment income for the three months ended June 30, 2012 was \$12.8 million, or a 33% increase, compared to net investment income of \$9.6 million during the corresponding period of 2011. The increase in net investment income was principally attributable to the increase in total investment income partially offset by the higher interest and other operating expenses discussed above.

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*Distributable Net Realized Income*

Distributable net realized income for the three months ended June 30, 2012 decreased 2% to \$10.1 million, or \$0.37 per share, compared with distributable net realized income of \$10.3 million, or \$0.44 per share, in the corresponding period of 2011. This decrease was primarily attributable to a \$3.4 million realized loss during the second quarter of 2012, on the full exit of a LMM portfolio investment that had been fully impaired in prior periods partially offset by the higher level of total distributable net investment income in the second quarter of 2012 compared to the corresponding period of 2011.

*Net Realized Income*

The higher level of net realized loss from investments for the three months ended June 30, 2012, partially offset by the increase in net investment income during the same period, resulted in a \$0.4 million decrease in net realized income compared with the corresponding period of 2011.

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

For the three months ended June 30, 2012, the \$15.7 million net change in unrealized appreciation was principally attributable to (i) unrealized appreciation on 21 LMM portfolio investments totaling \$14.9 million, partially offset by unrealized depreciation on 5 LMM portfolio investments totaling \$1.4 million, (ii) \$1.1 million of net unrealized appreciation on the Middle Market investment portfolio, (iii) \$0.5 million of net unrealized appreciation on the Other Portfolio investments and Marketable securities and idle funds investments, (iv) accounting reversals of net unrealized depreciation related to the net realized loss recognized during the second quarter of 2012 in the amount of \$2.4 million related to portfolio investment exits and exits of Marketable securities and idle funds investments, and (v) \$1.8 million of net unrealized depreciation attributable to SBIC debentures held by MSC II. For the second quarter of 2012, we also recognized a net income tax provision of \$1.0 million related to deferred taxes of \$0.6 million on net unrealized appreciation of equity investments held in our taxable subsidiaries and other taxes of \$0.4 million primarily related to accruals for excise tax on our estimated spillover taxable income in 2012 and other taxes.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the three months ended June 30, 2012 was \$24.2 million, or \$0.88 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$17.6 million, or \$0.77 per share, in the corresponding period of 2011.

Table of Contents*Comparison of the six months ended June 30, 2012 and June 30, 2011*

	Six Months Ended June 30,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Total investment income	\$ 41.4	\$ 29.5	\$ 11.9	40%
Total expenses	(15.7)	(12.5)	(3.2)	26%
Net investment income	25.7	17.0	8.7	51%
Net realized gain from investments	4.8	0.3	4.5	NM
Net realized income	30.5	17.3	13.2	77%
Net change in unrealized appreciation from investments	20.4	14.0	6.4	45%
Income tax provision	(2.9)	(3.2)	0.3	(9)%
Noncontrolling interest	(0.1)	(0.2)	0.1	(66)%
Net increase in net assets resulting from operations attributable to common stock	\$ 47.9	\$ 27.9	\$ 20.0	72%

	Six Months Ended June 30,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Net investment income	\$ 25.7	\$ 17.0	\$ 8.7	51%
Share-based compensation expense	1.2	0.9	0.3	31%
Distributable net investment income(a)	26.9	17.9	9.0	50%
Net realized gain from investments	4.8	0.3	4.5	NM
Distributable net realized income(a)	\$ 31.7	\$ 18.2	\$ 13.5	74%
Distributable net investment income per share Basic and diluted(a)(b)	\$ 0.99	\$ 0.83	\$ 0.16	19%
Distributable net realized income per share Basic and diluted(a)(b)	\$ 1.17	\$ 0.84	\$ 0.33	39%

- (a) Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. Main Street believes presenting distributable net investment income and distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing its financial performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing Main Street's financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.
- (b) For the six months ended June 30, 2012, per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II held by third parties prior to MSCC's completion of the Final MSC II Exchange during the first quarter of 2012. For the six months ended June 30, 2011, per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II not owned by Main Street.



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*Investment Income*

For the six months ended June 30, 2012, total investment income was \$41.4 million, a 40% increase over the \$29.5 million for the corresponding period of 2011. This comparable period increase was principally attributable to (i) an \$11.7 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities investments and (ii) a \$0.2 million increase in fee income due to the increased size of the investment portfolio. The increase in investment income included (i) \$1.8 million of non-recurring investment income during the first quarter of 2012 associated with repayment and financing activities for two LMM portfolio investments, and (ii) a \$1.2 million increase in investment income associated with higher levels of accelerated prepayment activity for certain Middle Market portfolio debt investments and marketable securities investments.

*Expenses*

For the six months ended June 30, 2012, total expenses increased by approximately \$3.2 million to \$15.7 million from \$12.5 million in the corresponding period of 2011. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$1.9 million as a result of the issuance of an additional \$30 million in SBIC debentures during the first quarter of 2011 and \$10 million in SBIC debentures subsequent to June 30, 2011, and increased borrowing activity under the Credit Facility, (ii) higher share-based compensation expense of \$0.3 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$1.1 million related to the increase in investment income and the investment portfolio compared to the corresponding period of 2011. The ratio of total operating expenses, excluding interest expense, as a percentage of average total assets for the six months ended June 30, 2012 was 2.0% on an annualized basis, compared to 2.4% on an annualized basis for the corresponding period of 2011 and 2.2% for the year ended December 31, 2011.

*Distributable Net Investment Income*

Distributable net investment income for the six months ended June 30, 2012 increased 50% to \$26.9 million, or \$0.99 per share, compared with \$17.9 million, or \$0.83 per share, in the corresponding period of 2011. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the first six months of 2012 reflects (i) approximately \$0.04 per share of investment income attributable to higher levels of accelerated prepayment activity for certain LMM portfolio investments, (ii) approximately \$0.04 per share of investment income attributable to higher levels of accelerated prepayment activity for certain Middle Market portfolio debt investments and marketable securities investments and (iii) a greater number of average shares outstanding compared to the corresponding period in 2011 primarily due to the March 2011, October 2011, and June 2012 follow-on stock offerings.

*Net Investment Income*

Net investment income for the six months ended June 30, 2012 was \$25.7 million, or a 51% increase, compared to net investment income of \$17.0 million during the corresponding period of 2011. The increase in net investment income was principally attributable to the increase in total investment income partially offset by the higher interest and other operating expenses discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$31.7 million, or \$1.17 per share, in the first six months of 2012 compared with distributable net realized income of \$18.2 million, or \$0.84 per share, in

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the corresponding period of 2011. This increase was due to (i) the higher level of total distributable net investment income in the first six months of 2012 and (ii) the higher level of total net realized gain from investments during the first six months of 2012 compared to the corresponding period of 2011. The \$4.8 million net realized gain from investments during the first six months of 2012 was primarily attributable to (i) a \$9.2 million realized gain recognized on the partial exit of equity investments in one LMM portfolio company, (ii) a realized gain of \$1.7 million recognized on the full exit of equity investments in one LMM portfolio company and (iii) \$1.4 million of net realized gains related to Middle Market and marketable securities investments, partially offset by (i) a \$3.8 million realized loss on the full exit of debt and equity investments in two LMM portfolio companies, (ii) a \$1.8 million realized loss on the full exit of equity investments in one LMM portfolio company and (iii) a \$2.0 million realized loss on a debt investment related to the full exit of a LMM portfolio company.

*Net Realized Income*

The higher level of net investment income in addition to the change in net realized gain from investments during the six months ended June 30, 2012 resulted in a \$13.2 million increase in net realized income compared with the corresponding period of 2011.

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

For the six months ended June 30, 2012, the \$20.4 million net change in unrealized appreciation was principally attributable to (i) unrealized appreciation on 26 LMM portfolio investments totaling \$24.1 million, partially offset by unrealized depreciation on 8 LMM portfolio investments totaling \$2.9 million, (ii) \$4.9 million of net unrealized appreciation on the Middle Market investment portfolio, (iii) \$0.6 million of net unrealized appreciation on the Other Portfolio investments and Marketable securities and idle funds investments, (iv) accounting reversals of net unrealized appreciation related to the net realized gains recognized during the first six months of 2012 in the amounts of \$4.4 million for portfolio investment exits and \$0.4 million for Marketable securities and idle funds investment exits, and (iv) \$1.5 million of net unrealized depreciation attributable to SBIC debentures held by MSC II. The noncontrolling interest of \$0.1 million recognized during the first quarter of 2012 reflects the pro rata portion of the net increase in net assets resulting from operations for MSCII attributable to the equity interests in MSCII that were not owned by MSCC prior to MSCC's completion of the Final MSC II Exchange. For the first six months of 2012, we also recognized a net income tax provision of \$2.9 million related to deferred taxes of \$1.6 million on net unrealized appreciation of equity investments held in our taxable subsidiaries and other taxes of \$1.3 million primarily related to an accrual for excise tax on our estimated spillover taxable income as of June 30, 2012.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the six months ended June 30, 2012 was \$47.9 million, or \$1.77 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$27.9 million, or \$1.32 per share, in the corresponding period of 2011.



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

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

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

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*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

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

*Net Investment Income*

Net investment income for the year ended December 31, 2011 was \$39.3 million, or a 104% increase, compared to net investment income of \$19.3 million for the corresponding period of 2010. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$44.0 million, or \$1.89 per share, for the year ended 2011 compared with distributable net realized income of \$17.8 million, or \$1.08 per share, for the corresponding period of 2010. The increase was primarily attributable to the higher level of distributable net investment income as well as the higher level of total net realized gain from investments in 2011 compared to the net realized loss from investments in the corresponding period of 2010. The \$2.6 million net realized gain during 2011 was primarily attributable to (i) realized gain

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recognized on one partial exit of an LMM portfolio company equity investment, (ii) realized gain recognized on one full exit of an LMM portfolio company equity investment, and (iii) realized gains related to Middle Market and marketable securities investments. The \$2.9 million net realized loss during the 2010 year was primarily attributable to \$5.9 million of realized loss from our debt and equity investments in two portfolio companies, partially offset by (i) \$2.3 million of realized gain on two partial exits and one full exit of portfolio company equity investments and (ii) \$0.7 million of realized gain related to Middle Market and marketable securities and idle funds investments.

*Net Realized Income*

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

*Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2011, the \$28.4 million net change in unrealized appreciation was principally attributable to (i) unrealized appreciation on 30 LMM portfolio investments totaling \$53.6 million, partially offset by unrealized depreciation on 11 LMM portfolio investments totaling \$11.8 million, (ii) \$3.7 million of net unrealized depreciation on Middle Market portfolio investments and marketable securities and idle funds investments, (iii) accounting reversals of net unrealized appreciation related to the net realized gains recognized during 2011 in the amounts of \$2.8 million for portfolio investments and \$0.4 million for marketable securities and idle funds investments, (iv) \$6.3 million of net unrealized depreciation attributable to our SBIC debentures, and (v) \$0.2 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of \$1.1 million recognized during 2011 reflects the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street. For the year ended December 31, 2011, we also recognized a net income tax provision of \$6.3 million principally related to deferred taxes on net unrealized appreciation of certain portfolio investments held in our Taxable Subsidiaries.

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

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

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

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

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

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*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

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

*Net Investment Income*

Net investment income for the year ended December 31, 2010 was \$19.3 million, or a 109% increase, compared to net investment income of \$9.2 million during the year ended December 31, 2009. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

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

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companies, partially offset by net realized gain on the partial exit of our equity investments in one portfolio company and net realized gain attributable to marketable securities investments.

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

*Net Realized Income*

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

*Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2010, the \$19.6 million net change in unrealized appreciation was principally attributable to (i) \$2.8 million in accounting reversals of net unrealized depreciation attributable to the net realized loss recognized during 2010 as discussed above, (ii) unrealized appreciation on 19 LMM portfolio investments totaling \$16.8 million, offset by unrealized depreciation on 15 LMM portfolio investments totaling \$8.2 million, (iii) \$6.9 million in unrealized appreciation attributable to our SBIC debentures, (iv) \$1.6 million in net unrealized appreciation attributable to Middle Market portfolio investments and marketable securities and idle funds investments, and (v) \$0.3 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of \$1.2 million recognized during 2010 reflected the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street. During the first quarter of 2010, we also recognized a \$4.9 million bargain purchase gain related to the consummation of the Exchange Offer. The bargain purchase gain recognized during the first quarter of 2010 is a non-recurring gain which was solely generated by the acquisition accounting related to the Exchange Offer. For the year ended December 31, 2010, we also recognized a net income tax provision of \$1.0 million principally related to deferred taxes on unrealized appreciation of equity investments held in our Taxable Subsidiaries.

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

*Liquidity and Capital Resources*

*Cash Flows*

For the six months ended June 30, 2012, we experienced a net decrease in cash and cash equivalents in the amount of \$10.7 million. During that period, we generated \$16.6 million of cash from our operating activities, primarily from distributable net investment income, partially offset by (i) reimbursements to the Investment Manager to cover operating expenses under a support services agreement between MSCC and the Investment Manager, (ii) accretion of unearned income, and (iii) net payment-in-kind interest income. We used \$83.0 million in net cash from investing activities, principally including the funding of \$261.0 million for portfolio company investments and the funding of \$7.6 million for Marketable securities and idle funds investments, partially offset by (i) \$158.4 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments and (ii) \$27.2 million of cash proceeds from the sale of Marketable securities and idle funds investments. During the first six months of 2012, \$55.7 million in cash was provided by financing activities, which principally consisted of \$93.0 million in net cash proceeds from a public stock offering

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in June 2012, partially offset by (i) \$19.0 million in net repayments under the Credit Facility and (ii) \$17.5 million in cash dividends paid to stockholders.

For the six months ended June 30, 2011, we experienced a net decrease in cash and cash equivalents in the amount of \$8.2 million. During that period, we generated \$15.4 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) accretion of unearned income, (ii) net payment-in-kind interest income, and (iii) increases in interest receivable and other assets. We used \$144.8 million in net cash from investing activities for the six months ended June 30, 2011, principally including the funding of \$176.1 million for LMM and Middle Market portfolio investments and the funding of \$18.0 million for Marketable securities and idle funds investments, partially offset by (i) \$1.4 million of cash proceeds from the sale of Marketable securities and idle funds investments and (ii) \$47.5 million in cash proceeds from the repayment of LMM and Middle Market portfolio debt investments. For the first six months of 2011, \$121.2 million in cash was provided by financing activities, which principally consisted of (i) \$70.4 million in net cash proceeds from a public stock offering in March 2011, (ii) \$30.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$34.0 million in net borrowings under the Credit Facility, partially offset by (i) \$11.6 million in cash dividends paid to stockholders and (ii) \$1.5 million in deferred loan costs paid in connection with the Credit Facility and the issuance of additional SBIC debentures.

For the year ended December 31, 2011, we experienced a net increase in cash and cash equivalents in the amount of \$20.3 million. During that period, we generated \$37.2 million of cash from our operating activities, primarily from (i) distributable net investment income, (ii) increase in payables, and (iii) realized gains partially offset by (i) increases in interest receivable, (ii) accretion of unearned income, and (iii) non-cash interest and dividends. We used \$220.5 million in net cash from investing activities, principally including the funding of \$249.4 million for new portfolio company investments and the funding of \$142.9 million for marketable securities and idle funds investments, partially offset by (i) \$89.0 million of cash proceeds from the sale of marketable securities and idle funds investments and (ii) \$83.0 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments. During 2011, \$203.6 million in cash was provided by financing activities, which principally consisted of (i) \$127.8 million in net cash proceeds from public stock offerings in March 2011 and October 2011, (ii) \$40.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$68.0 million in net cash proceeds from the Credit Facility, partially offset by \$28.3 million in cash dividends paid to stockholders and \$2.3 million in loan costs associated with our SBIC debentures and Credit Facility.

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

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

*Capital Resources*

As of June 30, 2012, we had \$32.0 million in cash and cash equivalents and \$8.1 million in Marketable securities and idle funds investments, and our net asset value totaled \$533.4 million, or \$16.89 per share. In June 2012, we completed a follow-on public stock offering in which we sold 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share (or approximately 143% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$93.0 million, after deducting underwriters' commissions and offering costs. As of June 30, 2012, we had \$189.5 million of unused capacity under the Credit Facility. In May 2012, we expanded the "Credit Facility" from \$235 million to \$277.5 million. The \$42.5 million increase in total commitments included a commitment increase by three lenders currently participating in the Credit Facility. The amended Credit Facility contains an upsized accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments. In July 2012, we further expanded the Credit Facility from \$277.5 million to \$287.5 million. The expansion of the Credit Facility included the addition of one new lender relationship which further diversifies the Main Street lending group to a total of nine participants. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR average rate plus 2.50% or (ii) the applicable base rate plus 1.50%. We pay unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At June 30, 2012, we had \$88.0 million in borrowings outstanding under the Credit Facility, bearing interest at an interest rate of 2.7%. As of June 30, 2012, we were in compliance with all financial covenants of the Credit Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid 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, 2012, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of



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approximately 5.1%. The first maturity related to the SBIC debentures does not occur until 2013, and the remaining weighted average duration is approximately 6.2 years as of June 30, 2012.

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

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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. A proposal, approved by our stockholders at our June 2012 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for the period ending on the earlier of (i) June 14, 2013, the one year anniversary of our 2012 annual meeting of stockholders, and (ii) the date of our 2013 annual meeting of stockholders. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval.

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

Although we have been able to secure access to additional liquidity, including recent public stock offerings, our expanded \$287.5 million Credit Facility, and the increase in available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued Accounting Standards***

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

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

***Inflation***

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

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At June 30, 2012, we had a total of \$46.3 million in outstanding commitments comprised of (i) five commitments to fund revolving loans that had not been fully drawn and (ii) two capital commitments that had not been fully called.

***Contractual Obligations***

As of June 30, 2012, our future fixed commitments for cash payments in connection with our SBIC debentures for each of the next five years and thereafter are as follows:

	Total	2012	2013(1)	2014	2015	2016	2017 and thereafter
	(dollars in thousands)						
SBIC debentures	\$ 220,000	\$	\$ 4,000	\$ 18,000	\$ 23,100	\$ 5,000	\$ 169,900
Interest due on SBIC debentures	67,715	5,617	11,143	10,836	9,480	8,608	22,031
<b>Total</b>	<b>\$ 287,715</b>	<b>\$ 5,617</b>	<b>\$ 15,143</b>	<b>\$ 28,836</b>	<b>\$ 32,580</b>	<b>\$ 13,608</b>	<b>\$ 191,931</b>

- (1) Main Street has received a commitment from the SBA that will allow it to refinance the first \$4.0 million debenture due in September 2013.

As of June 30, 2012, we had \$88.0 million in borrowings outstanding under our then \$277.5 million Credit Facility. Unless extended, the Credit Facility will mature in September 2014. The Credit Facility contains two, one year extension options which could extend the maturity to September 2016.

MSCC is obligated to make payments under a support services agreement with the Investment Manager. The Investment Manager is reimbursed for its excess operating expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as third

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parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash operating expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the three months ended June 30, 2012 and 2011, the expenses reimbursed by MSCC to the Investment Manager and management fees paid by MSC II were \$2.7 million and \$2.2 million, respectively. For the six months ended June 30, 2012 and 2011, the expenses reimbursed by MSCC to the Investment Manager and management fees paid by MSC II were \$5.4 million and \$4.3 million, respectively.

***Related Party Transactions***

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At June 30, 2012, the Investment Manager had a receivable of \$2.8 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

Table of Contents**SENIOR SECURITIES**

Information about our senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted. Grant Thornton LLP's report on the senior securities table as of December 31, 2011, is an exhibit to the registration statement of which this prospectus is a part.

<b>Class and Year</b>	<b>Total Amount Outstanding Exclusive of Treasury Securities(1) (dollars in thousands)</b>	<b>Asset Coverage per Unit(2)</b>	<b>Involuntary Liquidating Preference per Unit(3)</b>	<b>Average Market Value per Unit(4)</b>
Senior securities payable				
2006	\$ 45,100	1,959		N/A
2007	55,000	3,094		N/A
2008	55,000	3,043		N/A
2009	65,000	2,995		N/A
2010	219,000	2,030		N/A
2011	327,000	2,202		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**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the lower middle market creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a company's capital structure, from senior secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or "one stop" financing. Providing customized, "one stop" financing solutions has become even more relevant to our LMM portfolio companies in the current investing environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. We believe that our LMM investment strategy has a lower correlation to the broader debt and equity markets.

As of June 30, 2012, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$423.6 million, with a total cost basis of approximately \$340.8 million, and a weighted average annual effective yield on our LMM debt investments of approximately 15.0%. Approximately 78% of our total LMM portfolio investments at cost were in the form of debt investments and 95% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of June 30, 2012. At June 30, 2012, we had equity ownership in approximately 91% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies

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included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and five years.

As of June 30, 2012, we had Middle Market portfolio investments in 77 companies collectively totaling approximately \$343.4 million in fair value with a total cost basis of approximately \$341.8 million. The weighted average revenues for the 77 Middle Market portfolio company investments were approximately \$519 million. Our Middle Market debt investments are primarily in the form of debt investments and 91% of such debt investments at cost were secured by first priority liens on portfolio company assets as of June 30, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.7% as of June 30, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of June 30, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of June 30, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$23.6 million in fair value and \$23.4 million in cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the three and six months ended June 30, 2012, the

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ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.9% and 2.0% respectively, on an annualized basis, compared to 2.3% and 2.4% respectively, on an annualized basis for the three and six months ended June 30, 2011 and 2.2% for the year ended December 31, 2011.

**Business Strategies**

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

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

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

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

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

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

*Benefiting from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In

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addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments.

**Investment Criteria**

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

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

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

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

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

**Portfolio Investments**

Main Street's portfolio investments, as used herein, refers to all of Main Street's LMM portfolio investments, Middle Market portfolio investments, Other Portfolio investments and its investment in the Investment Manager but excludes all marketable securities and idle funds investments. Main Street's LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies based in the United States that are generally larger in size than the LMM companies included in Main Street's LMM portfolio. Main Street's Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.



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***Debt Investments***

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

Our LMM debt investments generally have terms of three to seven years, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates generally between 12% and 14% per annum, payable currently in cash. In some instances, we have provided floating interest rates for a portion of a single tranche debt security. In addition, certain LMM debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this as payment-in-kind, or PIK, interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first priority lien on substantially all the assets of the portfolio company. As of June 30, 2012, 95% of our LMM debt investments at cost were secured by first priority liens on the assets of LMM portfolio companies.

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

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

In addition to our LMM debt investment strategy, we pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies based in the United States that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and five years. The Middle Market debt investments generally have floating interest rates at LIBOR plus a premium and subject to LIBOR floors. As of June 30, 2012, our Middle Market portfolio investments were primarily in the form of debt investments, all of which were secured by portfolio company assets, and with 91% of such debt investments at cost secured by first priority liens.

***Warrants***

In connection with our LMM debt investments, we have historically received equity warrants to establish or increase our equity interest in the LMM portfolio company. Warrants we receive in

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

***Direct Equity Investments***

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

**Investment Process**

Our investment committee is responsible for all aspects of our LMM investment process. The current members of our investment committee are Vincent D. Foster, our Chairman, President and Chief Executive Officer, Todd A. Reppert, our Executive Vice Chairman, and David Magdol, our Chief Investment Officer and Senior Managing Director.

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

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

***Deal Generation/Origination***

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

***Screening***

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

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

a brief industry and market analysis;

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direct industry expertise imported from other portfolio companies or investors;

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

potential investment structures and pricing terms; and

regulatory compliance.

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

***Term Sheet***

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

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

***Due Diligence***

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

site visits with management and key personnel;

detailed review of historical and projected financial statements;

operational reviews and analysis;

interviews with customers and suppliers;

detailed evaluation of company management, including background checks;

review of material contracts;

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

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

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

detailed review of historical and projected financial statements;

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

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

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

*Document and Close*

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

company history and overview;

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

analysis of key customers and suppliers and key contracts;

a working capital analysis;

an analysis of the company's business strategy;

a management and key equity investor background check and assessment;

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.

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

company history and overview;

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

analysis of key customers and suppliers;

an analysis of the company's business strategy;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership; and

an analysis of historical financial results and key financial ratios.

If any adjustments to the transaction terms or structures are proposed by the investment committee or credit committee, as applicable, such changes are made and applicable analyses are

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updated. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee or credit committee, as applicable. Upon receipt of transaction approval, we will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

***Post-Investment***

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

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

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

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

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

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

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

All new LMM portfolio investments receive an initial 3 rating.

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The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of June 30, 2012 and December 31, 2011:

Investment Rating	June 30, 2012		December 31, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(Unaudited)				
(dollars in thousands)				
1	\$ 159,146	37.6%	\$ 125,505	30.2%
2	99,979	23.6%	119,234	28.7%
3	139,835	33.0%	152,910	36.7%
4	24,643	5.8%	17,765	4.3%
5		0.0%	250	0.1%
Totals	\$ 423,603	100.0%	\$ 415,664	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio was approximately 2.1 as of June 30, 2012 and 2.2 as of December 31, 2011.

For the total investment portfolio, as of June 30, 2012, we had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total portfolio investments at cost on non-accrual status, excluding the investment in the affiliated Investment Manager. As of December 31, 2011, we had one investment with positive fair value on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and, together with another fully impaired investment, comprised approximately 0.9% of the total portfolio investments at cost, in each case excluding the investment in the affiliated Investment Manager.

### ***Exit Strategies/Refinancing***

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

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

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

We account for our LMM portfolio investments, Middle Market portfolio investments, Other Portfolio investments and investment in the Investment Manager at fair value. As a result, we follow the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact.

Our portfolio strategy calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as debt securities issued by Middle Market companies that are generally larger in



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size than the LMM companies. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. All of our portfolio investments may be subject to restrictions on resale. LMM companies and Other Portfolio companies generally have no established trading market while Middle Market securities generally have established markets that are not active. We determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. For LMM investments, we review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For Middle Market portfolio debt and Other Portfolio debt investments, we primarily use observable inputs such as quoted prices in the valuation process. For Other Portfolio equity investments we generally value such investments based on the fair value of the portfolio company as determined by independent third parties, and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

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general intent to hold our loans to maturity, the fair value will not exceed the face amount of the LMM debt security. A change in the assumptions that we use to estimate the fair value of our LMM debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a LMM debt security is in workout status, we may consider other factors in determining the fair value of the LMM debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

Pursuant to our internal valuation process and the requirements under the 1940 Act, we perform valuation procedures on our investments in each LMM portfolio company once a quarter. In addition to our internal valuation process, in arriving at estimates of fair value for our investments in LMM portfolio companies, we, among other things, consult with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to our investments in each LMM portfolio company at least once in every calendar year, and for our investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, we may determine that it is not cost-effective, and as a result is not in our stockholders' best interest, to consult with the nationally recognized independent advisor on our investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of our investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. We consulted with our independent advisor in arriving at our determination of fair value on our investments in a total of 22 LMM portfolio companies for the six months ended June 30, 2012, representing approximately 41% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of June 30, 2012. We consulted with our independent advisor in arriving at our determination of fair value on a total of 42 portfolio companies, including 41 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2011, representing approximately 81% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of December 31, 2011.

For valuation purposes, all of our Middle Market portfolio investments are non-control investments and are composed of securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we generally use an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, all of our Other Portfolio investments are non-control investments and are composed of securities for which we generally do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. We value our Other Portfolio equity investments based on the fair value of the portfolio company as determined by independent third parties and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Other Portfolio debt investments with observable inputs, we determine the fair value of these investments through obtaining third party quotes or other independent pricing. To the extent observable inputs are not available for our Other Portfolio debt instruments, we value these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value our non-control LMM portfolio debt investments.

Due to the inherent uncertainty in the valuation process, our determination of fair value for certain portfolio investments may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio

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company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

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

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

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

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

The fair value determination for our Middle Market debt investments generally consists of observable inputs;

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

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

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

**Competition**

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

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

**Employees**

As of June 30, 2012, we had 26 employees, each of whom was employed by the Investment Manager. These employees include investment and portfolio management professionals, operations

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professionals and administrative staff. As necessary, we will hire additional investment professionals and administrative personnel. All of our employees are located in our Houston, Texas office.

**Properties**

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

**Legal Proceedings**

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

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**PORTFOLIO COMPANIES**

The following table sets forth certain unaudited information as of June 30, 2012, for the portfolio companies in which we had a debt or equity investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance ancillary to our investments and the board observer or participation rights we may receive. As of June 30, 2012, none of our portfolio company investments constituted five percent or more of our total assets. The following table excludes our investment in the Investment Manager and marketable securities and idle funds investments.

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Control Investments(5)</b>					
<b>Café Brazil, LLC</b> 202 West Main Street, Ste. 100 Allen, TX 75013	Casual Restaurant Group	12% Secured Debt (Maturity April 20, 2013) Member Units (Fully diluted 41.0%)(8)	1,000	1,000 42	1,000 3,530
				1,042	4,530
<b>California Healthcare Medical Billing, Inc.</b> 1121 E. Washington Ave. Escondido, CA 92025	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity October 17, 2015) Warrants (Fully diluted 21.3%) Common Stock (Fully diluted 9.8%)	8,103	7,887 1,193 1,177	8,013 3,380 1,560
				10,257	12,953
<b>CBT Nuggets, LLC</b> 44 Club Rd., Ste. 150 Eugene, OR 97401	Produces and Sells IT Training Certification Videos	14% Secured Debt (Maturity December 31, 2013) Member Units (Fully diluted 41.6%)(8)	850	850 1,300	850 6,810
				2,150	7,660
<b>Ceres Management, LLC (Lambs)</b> 11675 Jollyville Rd., Ste. 300 Austin, TX 78759	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity May 31, 2013) 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025) Member Units (Fully diluted 79.0%) Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)	4,000 1,090	3,986 1,090 5,273 625	3,986 1,090 5,273 800
				10,974	5,876
<b>Condit Exhibits, LLC</b> 500 West Tennessee Denver, CO 80223	Tradeshaw Exhibits / Custom Displays	9% Current / 9% PIK Secured Debt (Maturity July 1, 2013) Warrants (Fully diluted 47.9%)	4,661	4,643 320	4,643 320
				4,963	4,963
<b>Gulf Manufacturing, LLC</b> 1221 Indiana St.	Manufacturer of Specialty Fabricated Industrial				

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Humble, TX 77396	Piping Products	9% PIK Secured Debt (Maturity June 30, 2017) Member Units (Fully diluted 34.2%)(8)	919	919	919
				2,980	12,550
				3,899	13,469
<b>Harrison Hydra-Gen, Ltd.</b> 10827 Tower Oaks Blvd. Houston, TX 77070	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015) Preferred Stock (8% cumulative)(8) Common Equity (Fully diluted 34.5%)	5,024	4,582	4,810
				1,123	1,123
				718	2,620
				6,423	8,553
<b>Hawthorne Customs and Dispatch Services, LLC</b> 9370 Wallisville Rd Houston, TX 77013	Facilitator of Import  Logistics, Brokerage, and Warehousing	Member Units (Fully diluted 37.1%)(8) Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(8)		589	1,610
				1,215	1,215
				1,804	2,825
<b>Hydratec, Inc.</b> 325 Road 192 Delano, CA 93215	Designer and Installer of Micro-Irrigation Systems	Common Stock (Fully diluted 94.2%)(8)		7,094	14,218

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Control Investments(5)</b>					
<b>Indianapolis Aviation Partners, LLC</b> 8501 Telephone Road Houston, TX 77061	Fixed Base Operator	12% Secured Debt (Maturity September 15, 2014)	4,350	4,132	4,200
		Warrants (Fully diluted 30.1%)		1,129	1,650
				5,261	5,850
<b>Jensen Jewelers of Idaho, LLC</b> 130 Second Avenue North Twin Falls, ID 83301	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity November 14, 2013)(9)	1,843	1,843	1,843
		13% Current / 6% PIK Secured Debt (Maturity November 14, 2013)	1,912	1,912	1,912
		Member Units (Fully diluted 60.8%)(8)		811	1,750
				4,566	5,505
<b>Lighting Unlimited, LLC</b> 4125 Richmond Ave Houston, TX 77027	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2012)	2,000	1,996	1,996
		Preferred Stock (non-voting)		510	510
		Warrants (Fully diluted 7.1%)		54	40
		Common Stock (Fully diluted 70.0%)(8)		100	340
				2,660	2,886
<b>Mid-Columbia Lumber Products, LLC</b> 380 NW Adler St Madras, OR 97741	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2014)	1,250	1,250	1,250
		12% Secured Debt (Maturity December 18, 2014)	3,900	3,900	3,900
		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	1,040	1,040	1,040
		Warrants (Fully diluted 9.2%)		250	890
		Member Units (Fully diluted 42.9%)		812	930
		Member Units (Mid Columbia Real Estate, LLC) (Fully diluted 50.0%)(8)		250	810
				7,502	8,820
<b>NAPCO Precast, LLC</b> 6949 Low Bid Lane San Antonio, TX 78250	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity February 1, 2013)(9)	3,385	3,380	3,380
		18% Secured Debt (Maturity February 1, 2013)	5,173	5,156	5,156
		Member Units (Fully diluted 44.0%)		2,975	4,195
				11,511	12,731
<b>NRI Clinical Research, LLC</b> 2010 Wilshire Blvd	Clinical Research Center				

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Los Angeles, CA 90057

14% Secured Debt (Maturity September 8, 2016)	5,001	4,735	4,735
Warrants (Fully diluted 12.5%)		252	440
Member Units (Fully diluted 24.8%)(8)		500	870

5,487 6,045

**NRP Jones, LLC**  
210 Philadelphia St  
LaPorte, IN 46350

Manufacturer of  
Hoses, Fittings  
and  
Assemblies

12% Secured Debt (Maturity December 22, 2016)	12,100	11,118	11,890
Warrants (Fully diluted 12.2%)		817	1,170
Member Units (Fully diluted 43.2%)(8)		2,900	4,153

14,835 17,213

**OMi Holdings, Inc.**  
1515 E I-30 Service Road  
Royse City, TX 75189

Manufacturer of  
Overhead Cranes

12% Secured Debt (Maturity April 1, 2013)	6,667	6,655	6,655
Common Stock (Fully diluted 48.0%)		1,080	6,000

7,735 12,655

**Pegasus Research Group, LLC (Televerde)**  
4636 E. University Drive  
Phoenix, AZ 77074

Telemarketing and  
Data Services

13% Current / 5% PIK Secured Debt (Maturity January 6, 2016)	5,491	5,435	5,491
Member Units (Fully diluted 43.7%)(8)		1,250	1,250

6,685 6,741



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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Control Investments(5)</b>					
<b>PPL RVs, Inc.</b> 10777 Southwest Freeway Houston, TX 77074	Recreational Vehicle Dealer	18% Secured Debt (Maturity June 10, 2015)	4,450	4,407	4,450
		Common Stock (Fully diluted 51.1%)		2,150	5,480
				6,557	9,930
<b>Principle Environmental, LLC</b> 201 W. Ranch Court Weatherford, TX 76088	Noise Abatement Services	12% Secured Debt (Maturity February 1, 2016)	4,750	3,851	4,140
		12% Current / 2% PIK Secured Debt (Maturity February 1, 2016)	3,558	3,496	3,548
		Warrants (Fully diluted 14.6%)		1,200	3,140
		Member Units (Fully diluted 25.0%)		2,000	5,380
				10,547	16,208
<b>River Aggregates, LLC</b> 25963 Sorters Road Porter, TX 77365	Processor of Construction Aggregates	12% Secured Debt (Maturity March 30, 2016)	3,700	3,479	3,479
		Warrants (Fully diluted 20.0%)		202	
		Member Units (Fully diluted 40.0%)		550	
				4,231	3,479
<b>The MPI Group, LLC</b> 319 North Hills Road Corbin, KY 40701	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity October 2, 2013)	1,068	1,065	1,065
		6% Current / 6% PIK Secured Debt (Maturity October 2, 2013)	5,559	5,477	5,477
		Warrants (Fully diluted 74.7%)		896	
		Member Units (Non-voting)		200	
				7,638	6,542
<b>Thermal and Mechanical Equipment, LLC</b> 1423 E. Richey Road Houston, TX 77073	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity September 25, 2014)(9)	1,272	1,267	1,267
		13% Current / 5% PIK Secured Debt (Maturity September 25, 2014)	4,053	4,017	4,053
		Member Units (Fully diluted 50.0%)(8)		1,000	6,490
				6,284	11,810
<b>Uvalco Supply, LLC</b> 2521 E. Main St. Uvalde, TX 78801	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%)(8)		1,113	3,110
<b>Van Gilder Insurance Corporation</b> 1515 Wynkoop, Ste. 200	Insurance Brokerage				

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Denver, CO 80202		8% Secured Debt (Maturity January 31, 2013)	1,000	993	993
		8% Secured Debt (Maturity January 31, 2016)	1,545	1,531	1,531
		13% Secured Debt (Maturity January 31, 2016)	6,150	5,224	5,224
		Warrants (Fully diluted 10.0%)		1,209	1,209
		Common Stock (Fully diluted 15.5%)		2,500	2,500
				11,457	11,457
<b>Vision Interests, Inc.</b>	Manufacturer / Installer of Commercial Signage				
6630 Arroyo Springs St., Ste. 600					
Las Vegas, NV 89113		6.5% Current /6.5% PIK Secured Debt (Maturity December 23, 2016)	3,100	3,038	3,038
		Series A Preferred Stock (Fully diluted 33.3%)		3,000	3,280
		Common Stock (Fully diluted 36.7%)		3,706	100
				9,744	6,418
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group				
13901 North 73rd St., #219					
Scottsdale, AZ 85260		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity October 1, 2013)(9)	1,000	997	997
		13% Current / 5% PIK Secured Debt (Maturity October 1, 2013)	5,180	5,159	5,159
		Warrants (Fully diluted 46.6%)		600	300
				6,756	6,456
<b>Subtotal Control Investments</b>				179,175	228,903

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Affiliate Investments(6)</b>					
<b>American Sensor Technologies, Inc.</b> 450 Clark Dr. Mt. Olive, NJ 07828	Manufacturer of Commercial / Industrial Sensors	Warrants (Fully diluted 19.6%)		50	3,590
<b>Bridge Capital Solutions Corporation</b> 300 Motor Parkway, Suite 215 Hauppauge, NY 11788	Financial Services and Cash Flow Solutions	13% Secured Debt (Maturity April 17, 2017) Warrants (Fully diluted 7.5%)	5,000	4,734 200	4,734 200
				4,934	4,934
<b>Compact Power Equipment Centers LLC</b> P. O. Box 40 Fort Mill, SC 29716	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity December 31, 2014) 8% PIK Secured Debt (Maturity December 31, 2012) Series A Member Units (8% cumulative) (Fully diluted 0.8%)(8) Member Units (Fully diluted 10.6%)	3,576 63	3,555 63 887 1	3,555 63 887 1
				4,506	4,506
<b>East Teak Fine Hardwoods, Inc.</b> 1106 Drake Road Donalds, SC 29638	Hardwood Products	Common Stock (Fully diluted 5.0%)		480	380
<b>Gault Financial, LLC (RMB Capital, LLC)</b> 409 Bearden Circle Knoxville, TN 37919	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity November 21, 2016) Warrants (Fully diluted 22.5%)	10,223	9,677 400	9,677 400
				10,077	10,077
<b>Houston Plating and Coatings, LLC</b> 1315 Georgia Street South Houston, TX 77587	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%)(8)		635	6,980
<b>Integrated Printing Solutions, LLC</b> 7025 South Fulton Street, Suite 100 Centennial, CO 80112	Specialty Card Printing	13% Secured Debt (Maturity September 23, 2016) Preferred Equity (Fully diluted 11.0%) Warrants (Fully diluted 8.0%)	12,500	11,740 2,000 600	11,740 2,000 1,340
				14,340	15,080
<b>IRTH Holdings, LLC</b> 5009 Horizons Drive Columbus, OH 43220	Damage Prevention Technology Information Services	12% Secured Debt (Maturity December 29, 2015)	3,923	3,868	3,923

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		Member Units (Fully diluted 22.3%)	850	2,970
			4,718	6,893
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products			
East Hwy 96 Rush Center, KS 67575				
		10% Secured Debt (Maturity December 31, 2012)	833	833
		14% Secured Debt (Maturity January 23, 2014)	5,182	5,182
		Member Units (Fully diluted 17.9%) (8)		341
				4,250
			6,356	10,265
<b>Laurus Healthcare, LP</b>	Management of Outpatient Cardiac Cath Labs			
10000 Memorial Drive, Suite 540 Houston, TX 77056				
		9% Secured Debt (Maturity May 12, 2016)	5,725	5,725
		Class A and C Units (Fully diluted 13.1%)(8)		80
				5,430
			5,805	11,155

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Affiliate Investments(6)</b>					
<b>Olympus Building Services, Inc.</b> Union Square Drive, Suite 110 New Hope, PA 18938	Custodial / Facilities Services	10% Current / 2% PIK Secured Debt (Maturity March 27, 2014)	3,216	3,112	3,112
		15% PIK Secured Debt (Maturity March 27, 2014)	1,069	1,069	1,069
		Warrants (Fully diluted 22.5%)		470	
				4,651	4,181
<b>OnAsset Intelligence, Inc.</b> 3080 Story Road West Irving, TX 75038	Transportation Monitoring / Tracking Services	12% Secured Debt (Maturity October 18, 2012)	1,500	1,225	1,225
		Preferred Stock (7% cumulative) (Fully diluted 5.75%)(8)		1,633	1,633
		Warrants (Fully diluted 4.0%)		830	640
				3,688	3,498
<b>OPI International Ltd.(12)</b> 4545 Post Oak Place Drive Houston, TX 77027	Oil and Gas Construction Services	12% Secured Debt (Maturity November 30, 2015)	11,750	11,154	11,360
		Common Equity (Fully diluted 9.7%)		1,370	4,970
				12,524	16,330
<b>Radial Drilling Services Inc.</b> 4921 Spring Cypress Spring, TX 77379	Oil and Gas Technology	12% Secured Debt (Maturity November 23, 2016)	4,200	3,423	3,423
		Warrants (Fully diluted 24.0%)		758	758
				4,181	4,181
<b>Samba Holdings, Inc.</b> 1730 Montano Road NW, Suite F Albuquerque, NM 87107	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity November 17, 2016)	2,985	2,930	2,930
		Common Stock (Fully diluted 14.7%)		950	1,200
				3,880	4,130
<b>Spectrio LLC</b> 720 Brooker Creek Blvd., Ste. 215 Oldsmar, FL 34677	Audio Messaging Services	8% Secured Debt (Maturity June 16, 2016)	280	280	280
		12% Secured Debt (Maturity June 16, 2016)	14,595	14,147	14,440
		Warrants (Fully diluted 9.8%)		887	2,830
				15,314	17,550
<b>SYNEO, LLC</b> 3601 Galaznik Rd	Manufacturer of Specialty Cutting Tools				

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Angleton, TX 77515	and Punches	12% Secured Debt (Maturity July 13, 2016)	4,800	4,699	4,699
		10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026)	1,440	1,412	1,412
		Member Units (Fully diluted 11.1%)		1,000	1,000
				7,111	7,111
<b>Walden Smokey Point, Inc.</b>	Specialty Transportation Provider				
17305 59th Avenue NE Arlington, WA 98223		Common Stock (Fully diluted 12.6%)		1,427	4,720
<b>Subtotal Affiliate Investments</b>				104,677	135,561

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>4L Holdings, LLC(10)</b> 4200 Cloumbus Street Ottawa, IL 61350	Refurbished Office Supplies and Electronics	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity May 7, 2018)(9)	4,938	4,793	4,839
<b>Academy, Ltd.(10)</b> 1800 N. Mason Road Katy, TX 77449	Sporting Goods Stores	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity August 3, 2018)(9)	2,985	2,974	3,004
<b>Affinity Videonet, Inc.</b> 1625 Broadway Ave., Ste. 880 Denver, Co 80202	Video Conferencing and Managed Services	13% Secured Debt (Maturity December 31, 2015) 13% Current / 1% PIK Secured Debt (Maturity December 31, 2015) Warrants (Fully diluted 2.6%)	2,000 987	1,921 983 63	2,000 983 120
				2,967	3,103
<b>Ameritech College Operations, LLC</b> 12257 Business Park Dr, Ste. 108 Draper, UT 84020	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity March 9, 2017)	6,050	5,934	5,934
<b>Aspen Dental Management, Inc.(10)</b> 281 Sanders Creek Parkway East Syracuse, NY 13057	Dental Practice Management	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity October 6, 2016)(9)	1,985	1,976	1,973
<b>Associated Asphalt Partners, LLC(10)</b> 2677 Roanoke Avenue, SW Roanoke, VA 24015	Liquid Asphalt Supplier	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity March 9, 2018)(9)	9,926	9,756	9,777
<b>ATI Acquisition I Corp.(10)</b> 790 Remington Blvd. Bolingbrook, IL 60440	Physical Therapy Facilities	LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity March 11, 2016)(9)	2,839	2,805	2,799
<b>B. J. Alan Company</b> 555 Martin Luther King, Jr. Blvd Youngstown, OH 44502	Retailer and Distributor of Consumer Fireworks	12% Current / 2.5% PIK Secured Debt (Maturity June 22, 2017)	10,006	9,907	9,907
<b>Blackboard, Inc.(10)</b> 650 Massachusetts Avenue N.W., 6th Floor Washington, DC 20001	Education Software Provider	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity October 4, 2018)(9) LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity April 4, 2019)(9)	2,985 2,000	2,885 1,845	2,903 1,852
				4,730	4,755
<b>Blue Coat Systems, Inc.(10)</b>					

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420 North Mary Avenue  
Sunnyvale, CA 94085

Web Security and  
WAN  
Optimization

LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity February 15, 2018)(9)	2,000	1,962	1,999
LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity August 15, 2018)(9)	2,000	1,943	2,013
		3,905	4,012

**Brand Connections, LLC**

26 Orange Rd  
Montclair, NJ 07042

Venue-Based  
Marketing  
and Media

14% Secured Debt (Maturity April 30, 2015)	6,049	5,952	6,049
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**Business Development Corporation of  
America(11)(12)**

405 Park Avenue, 15th Floor  
New York, NY 10022

Investment  
Management

LIBOR Plus 3.50%, Current Coupon 3.74%, Secured Debt (Maturity January 14, 2013)	10,000	10,000	10,000
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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>Calloway Laboratories, Inc.(10)</b> 34 Commerce Way Woburn, MA 01801	Health Care Testing Facilities	LIBOR Plus 11.00% / 3.00% PIK, Current Coupon with PIK 15.00%, Secured Debt (Maturity September 13, 2013)(9)	5,039	4,899	4,899
<b>CCCG, LLC(10)</b> 1640 South 101st East Avenue Tulsa, OK 74128	Manufacturer of Oil and Gas Equipment	LIBOR Plus 5.00%, Current Coupon 6.75%, Secured Debt (Maturity March 31, 2014)(9)	3,369	3,300	3,353
<b>CHI Overhead Doors, Inc.(10)</b> 1485 Sunrise Dr. Arthur IL, 61911	Manufacturer of Overhead Garage Doors	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity August 17, 2017)(9) LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity February 19, 2018)(9)	2,422 2,500	2,379 2,455	2,404 2,438
				4,834	4,842
<b>Citadel Plastics Holding, Inc.(10)</b> 1600 Powis Court West Chicago, IL 60185	Supplier of Commodity Chemicals / Plastic Parts	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity February 28, 2018)(9)	3,000	2,971	2,989
<b>Congruent Credit Opportunities Fund II, LP(11)(12)</b> 3131 McKinney Ave., Suite 850 Dallas, TX 75204	Investment Partnership	LP Interests (Fully diluted 18.75%)		9,790	9,870
<b>CST Industries(10)</b> 9701 Renner Blvd, Suite 150 Lenexa, KS 66219	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	12,500	12,315	12,375
<b>Diversified Machine, Inc.(10)</b> 28059 Center Oaks Court Wixom, MI 48393	Automotive Component Supplier	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity December 1, 2016)(9)	1,895	1,860	1,800
<b>Drilling Info, Inc.</b> 2600 Via Fortuna, Fifth Floor Austin, TX 78746	Information Services for the Oil and Gas Industry	Common Stock (Fully diluted 2.3%)		1,335	5,070
<b>Emerald Performance Materials, Inc.(10)</b> 2020 Front Street, Suite 100 Cuyahoga Falls, OH 44221	Specialty Chemicals Manufacturer	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity May 18, 2018)(9)	4,000	3,961	3,980
<b>EnCap Energy Fund Investments(11)(12)</b> 1100 Louisiana Street, Suite 4900 Houston, TX 77002	Investment Partnership			1,474	1,670

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		LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)			
		LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.3%)		335	335
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 1.1%)		113	113
				1,922	2,118
<b>Fairway Group Acquisition Company(10)</b>	Retail Grocery				
2284 12th Avenue New York, NY 10027					
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 3, 2017)(9)	7,425	7,376	7,379
<b>Flexera Software LLC(10)</b>	Software Licensing				
900 National Parkway Schaumburg, IL 60173					
		LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity September 30, 2018)(9)	3,000	2,777	3,015
		90			

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>Fram Group Holdings, Inc.(10)</b> 39 Old Ridgebury Rd Danbury, CT 06610	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(9) LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	993 1,000	988 996	959 877
				1,984	1,836
<b>GMACM Borrower LLC(10)</b> 1177 Avenue of Americas New York, NY 10036	Mortgage Originator and Servicer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity November 13, 2015)(9)	1,000	981	1,006
<b>Go Daddy Group, Inc.(10)</b> 14455 N. Hayden Rd., Suite 219 Scottsdale, AZ 85260	Domain Name Management	LIBOR Plus 4.25%, Current Coupon 5.50%, Secured Debt (Maturity December 17, 2018)(9)	7,462	7,462	7,375
<b>Granite Broadcasting(10)</b> 767 Third Avenue, 34th Floor New York, NY 10017	Regional TV Broadcaster	LIBOR Plus 7.25%, Current Coupon 8.50%, Secured Debt (Maturity May 22, 2018)(9)	5,000	4,876	4,950
<b>Grede Holdings, LLC(10)</b> 4000 Town Center, Suite 500 Southfield, MI 48075	Operator of Iron Foundries	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity April 3, 2017)(9)	4,700	4,616	4,679
<b>Gundle/SLT Environmental, Inc.(10)</b> 19103 Gundle Road Houston, TX 77073	Manufacturer of Geosynthetic Lining Products	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 27, 2016)(9)	7,972	7,887	7,872
<b>Hayden Acquisition, LLC</b> 7801 West Tangerine Rd Rillito, AZ 85653	Manufacturer of Utility Structures	8% Secured Debt (Maturity July 1, 2012)	1,800	1,781	
<b>Hearthside Food Solutions(10)</b> 1901 Butterfield Road, Suite 530 Downers Grove, IL 60515	Contract Food Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity June 5, 2018)(9)	4,000	3,960	3,990
<b>HOA Restaurant Group, LLC(10)</b> 1815 The Exchange Atlant, GA 30339	Casual Restaurant Group	11.25% Bond (Maturity April 1, 2017)	2,000	2,000	1,853
<b>Hupah Finance Inc.(10)</b> 3833 Sala Way (Vermillion St.) Red Wing, MN 55066	Manufacturer of Industrial Machinery	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity January 19, 2019)(9)	2,993	2,935	3,001
<b>Il Fornaio Corporation(10)</b>					

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770 Tamalpais Drive #400 Corte Madera, CA 94925	Casual Restaurant Group	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity June 10, 2017)(9)	1,897	1,889	1,893
<b>Ipreo Holdings LLC(10)</b> 1359 Broadway, 2nd Floor New York, NY 10018	Application Software for Capital Markets	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity August 5, 2017)(9)	4,218	4,146	4,208
<b>iStar Financial, Inc.(10)</b> 1114 Avenue of the America New York, NY 10036	Real Estate Investment Trust	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity March 19, 2016)(9)	2,805	2,756	2,791
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity March 19, 2017)(9)	1,500	1,478	1,501
				4,234	4,292
<b>Ivy Hill Middle Market Credit Fund III, Ltd.(11)(12)</b> 245 Park Avenue, 44th Floor New York, NY 10167	Asset Management	LIBOR Plus 6.50%, Current Coupon 6.74%, Secured Debt (Maturity January 15, 2022)	2,000	1,670	1,610

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>JJ Lease Funding Corp.(10)</b> 4 Batterymarch Park Quincy, MA 02169	Apparel Retail	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity April 29, 2017)(9)	3,850	3,752	3,147
<b>Kadmon Pharmaceuticals, LLC(10)</b> 450 East 29th Street New York, NY 10016	Biopharmaceutical Products	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity October 31, 2012)(9)	5,945	5,903	6,199
<b>Liqui-Box, Inc.(10)</b> 9 Greenway Plaza, Suite 240 Houston, TX 77046	Supplier of Specialty Packaging	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity December 29, 2017)(9)	2,985	2,943	2,955
<b>Maverick Healthcare(10)</b> 2546 W. Birchwood Avenue, #101 Mesa, Arizona 85202	Home Healthcare Products and Services	LIBOR Plus 9.00%, Current Coupon 10.75%, Secured Debt (Maturity December 30, 2016)(9)	4,925	4,925	4,900
<b>Media Holdings, LLC(10)(12)</b> 32 boulevard Royal L-2449 Luxembourg City Luxembourg	Internet Traffic Generator	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity April 27, 2014)(9)	5,000	5,261	5,266
<b>Medpace Intermediateco, Inc.(10)</b> 4620 Wesley Avenue Cincinnati, OH 45212	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity June 19, 2017)(9)	4,787	4,725	4,596
<b>Metal Services LLC(10)</b> The Liberty Place at Kennett Square 148 W. State Street, Suite 301 Kennett Square, PA 19348	Steel Mill Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity September 29, 2017)(9)	7,794	7,646	7,745
<b>Metropolitan Health Networks, Inc.(10)(12)</b> 777 Yamato Road, Suite 510 Boca Raton, FL 33431	Healthcare Network Provider	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity October 4, 2016)(9) LIBOR Plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity October 4, 2017)(9)	1,960	1,934	1,901
			3,250	3,190	3,169
				5,124	5,070
<b>Milk Specialties Company(10)</b> 7500 Flying Cloud Drive, Suite 500 Eden Prairie, MN 55344	Processor of Nutrition Products	LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity December 23, 2017)(9)	3,980	3,868	3,960

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		LIBOR Plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity December 23, 2018)(9)	1,000	962	1,015
				4,830	4,975
<b>Miramax Film NY, LLC(10)</b>	Motion Picture Producer and Distributor				
1601 Cloverfield Blvd., Suite 2000 Santa Monica, CA 90404		Class B Units (Fully diluted 0.2%)		500	500
<b>Mood Media Corporation(10)(12)</b>	Music Provider				
20 York Mills Road, 6th Floor Toronto, Ontario, Canada, M2P 2C2		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 6, 2018)(9)	2,970	2,942	2,942
<b>MultiPlan, Inc.(10)</b>	Managed Healthcare Provider				
115 Fifth Avenue New York, NY 10003		LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity August 26, 2017)(9)	2,791	2,791	2,762
<b>National Healing Corporation(10)</b>	Wound Care Management				
4850 T-Rex Avenue, Suite 300 Boca Raton, FL 33431		LIBOR Plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity November 30, 2017)(9)	2,736	2,609	2,736
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity November 30, 2018)(9)	1,500	1,416	1,503
		Common Equity (Fully diluted 0.02%)		50	50
				4,075	4,289

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<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>NCI Building Systems, Inc.(10)</b> 10943 North Sam Houston Parkway West Houston, TX 77064	Non-Residential Building Products Manufacturer	LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity June 22, 2018)(9)	2,494	2,369	2,463
<b>NGPL PipeCo, LLC(10)</b> 500 Dallas Street, Suite 1000 Houston, TX 77002	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity September 15, 2017)(9)	9,000	8,852	8,843
<b>Northland Cable Television, Inc.(10)</b> 101 Stewart Street, #700 Seattle, WA 98101	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity December 30, 2016)(9)	4,838	4,725	4,717
<b>Oberthur Technologies(10)</b> 50 Quai Michelet 92300 Levallois Perret France	Smart Card, Printing, Identity, and Cash Protection Security	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity November 30, 2018)(9)	7,000	6,660	6,843
<b>Onedia, Inc.(10)</b> 163 Kenwood Avenue Oneida, NY 13421	Household Products Manufacturer	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity September 25, 2017)(9)	2,000	1,961	1,970
<b>Pacific Architects and Engineers Incorporated(10)</b> 1525 Wilson Blvd., Suite 900 Arlington, VA 22209	Provider of Contract Support Services	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity April 4, 2017)(9)	3,995	3,923	3,995
<b>Phillips Plastic Corporation(10)</b> 1201 Hanley Road Hudson, WI 54016	Custom Molder of Plastics and Metals	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 12, 2017)(9)	1,737	1,722	1,728
<b>Physician Oncology Services, L.P.(10)</b> 53 Perimeter Center East Atlanta, GA 30346	Provider of Radiation Therapy and Oncology Services	LIBOR Plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity January 31, 2017)(9)	942	934	937
<b>Pierre Foods, Inc.(10)</b> 9990 Princeton Road Cincinnati, OH 45246	Foodservice Supplier	LIBOR Plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity September 30, 2016)(9) LIBOR Plus 9.50%, Current Coupon 11.25%, Secured Debt (Maturity September 29, 2017)(9)	4,925 2,000	4,851 1,943	4,955 2,014
				6,794	6,969

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<b>PL Propylene, LLC(10)(12)</b> 600 Travis, Suite 3250 Houston, TX 77002	Propylene Producer	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity March 27, 2017)(9)	3,990	3,914	4,037
<b>Preferred Proppants, LLC(10)</b> One Radnor Corporate Center 100 Matsonford Road, Suite 101 Radnor, PA 19087	Producer of Sand Based Proppants	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity December 15, 2016)(9)	5,972	5,840	5,748
<b>ProQuest LLC(10)</b> 789 E. Eisenhower Parkway P. O. 1346 Ann Arbor, MI 48106	Academic Research Portal	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity April 13, 2018)(9)	4,988	4,939	4,967
<b>PRV Aerospace, LLC(10)</b> 2600 94th Street SW, Suite 150 Everett, WA 98204	Aircraft Equipment Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity May 9, 2018)(9)	6,000	5,941	5,985
<b>Race Point Power, LLC(10)</b> 2711 Centerville Road, Suite 400 Wilmington, DE 19808	Electric Utilities / Power Generation	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity January 11, 2018)(9)	2,206	2,169	2,205



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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>Radio One, Inc.(10)</b> 5900 Princess Garden Parkway, 7th Floor Lanham, MD 20706	Radio Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 31, 2016)(9)	2,947	2,901	2,910
<b>Relativity Media, LLC(10)</b> 9242 Beverly Boulevard, Suite 300 Beverly Hills, CA 90210	Full-scale Film and Television Production and Distribution	10.00% Secured Debt (Maturity May 24, 2015) 15.00% PIK Secured Debt (Maturity May 24, 2015)	5,000 5,075	4,905 5,075	4,905 5,075
				9,980	9,980
<b>Schiff Nutrition(10)</b> 2002 South 5070 West Salt Lake City, UT 84104	Vitamin and Nutritional Supplement Manufacturer and Distributor	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity March 30, 2019)(9)	10,000	9,853	9,900
<b>Shearer's Foods, Inc.(10)</b> 692 Wabash Ave. North Brewster, OH 44613	Manufacturer of Food/ Snacks	12.00% Current / 3.75% PIK Secured Debt (Maturity March 31, 2016)	4,343	4,266	4,218
<b>Sonneborn, LLC.(10)</b> 600 Parsippany Road, Suite 100 Parsippany, NJ 07054	Specialty Chemicals Manufacturer	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity March 30, 2018)(9)	2,993	2,935	2,993
<b>Sourcehov LLC(10)</b> 3232 McKinney Ave., Suite 1000 Dallas, TX 75204	Business Process Services	LIBOR Plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity April 28, 2017)(9) LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity April 30, 2018)(9)	2,970 5,000	2,881 4,509	2,814 4,328
				7,390	7,142
<b>Speedy Cash Intermediate Holdings Corp.(10)</b> 3527 North Ridge Road Wichita, KS 67205	Consumer Finance	10.75% Bond (Maturity May 15, 2018)	2,000	2,000	2,065
<b>Surgery Center Holdings, Inc.(10)</b> 5501 W. Gray Street Tampa, FL 33609	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 6, 2017)(9)	4,906	4,886	4,882
<b>The Tennis Channel, Inc.</b> 2850 Ocean Park Blvd., Ste. 150 Santa Monica, CA 90405	Television-Based Sports Broadcasting	LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity January 1, 2013)(9) Warrants (Fully diluted 0.1%)	10,826	12,104 235	12,104 235

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			12,339	12,339
<b>Totes Isotoner Corporation(10)</b>	Weather Accessory Retail			
9655 International Boulevard Cincinnati, OH 45246				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(9)	4,951	4,865
				4,926
<b>Tube City IMS Corporation(10)(12)</b>	Steel Mill Services			
12 Monongahela Avenue Glassport, PA 15045				
		LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity March 20, 2019)(9)	1,000	990
				1,000
<b>Ulterra Drilling Technologies, L.P.(10)</b>	Manufacturer of Oil and Gas Drilling Products			
420 Throckmorton Street, Suite 1110 Fort Worth, TX 76102				
		LIBOR Plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(9)	6,361	6,256
		LIBOR Plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(9)	1,566	1,538
				7,794
				7,950

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Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>UniTek Global Services, Inc.(10)</b> 1777 Sentry Parkway West Gwynedd Hall, Suite 202 Blue Bell, PA 19422	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity April 15, 2018)(9)	6,418	6,250	6,321
<b>Vantage Specialties, Inc.(10)</b> 4650 South Racine Ave Chicago, IL 60609	Manufacturer of Specialty Chemicals	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity February 10, 2018)(9)	4,000	3,924	4,010
<b>VFH Parent LLC(10)</b> 645 Madison Avenue, 16th Floor New York, NY 10022	Electronic Trading and Market Making	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity July 8, 2016)(9)	3,732	3,669	3,738
<b>Visant Corporation(10)</b> 357 Main Street Armonk, NY 10504	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(9)	3,998	3,998	3,889
<b>Vision Solutions, Inc.(10)</b> 15300 Barranca Parkway Irvine, CA 92618	Computer Software	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(9) LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	2,764 5,000	2,548 4,958	2,559 4,975
				7,506	7,534
<b>Wabash National Corporation(10)</b> 1000 Sagamore Parkway S. Lafayette, IN 47905	Truck Trailer Manufacturer	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity May 8, 2019)(9)	5,985	5,936	5,910
<b>Walter Investment Management Corp.(10)(12)</b> 3000 Bayport Drive, Suite 1100 Tampa, FL 33607	Real Estate Services	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(9)	2,663	2,617	2,682
<b>Wastequip(10)</b> 1901 Roxborough Rd, Suite 300 Charlotte, NC 28211	Manufacturer of Waste Management Equipment	LIBOR Plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity December 15, 2017)(9)	1,000	975	995
<b>Willis Group, LLC</b> 1400 Post Oak Blvd, Suite 200 Houston, TX 77056	Staffing and Recruitment Services	12% Current / 3% PIK Secured Debt (Maturity December 19, 2014)	9,038	8,883	8,883
<b>Wolverine(10)</b> 777 East Eisenhower Parkway	Healthcare Analytics Provider				

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Ann Arbor, MI 48108

		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity May 25, 2019)(9)	3,500	3,431	3,504
<b>Wyle Services Corporation(10)</b>	Specialized Engineering and Technical Services				
1960 East Grand Avenue, Suite 900 El Segundo, CA 90245					
		LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity March 26, 2017)(9)	3,707	3,689	3,684
<b>Yankee Cable Acquisition, LLC(10)</b>	Broadband Service Provider				
650 College Road East, Suite 3100 Princeton, NJ 08540					
		LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity August 26, 2016)(9)	3,665	3,624	3,660
<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions				
2815 S Capital of Texas Highway, Suite 300 Austin, TX 78704					
		12% Secured Debt (Maturity June 15, 2017) Warrants (Fully diluted 3.0%)	8,000	6,782 1,071	6,782 1,071
				7,853	7,853
<b>Subtotal Non-Control/Non-Affiliate Investments</b>				422,174	426,128
<b>Total Portfolio Investments, June 30, 2012</b>				706,026	790,592

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.
- (2) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C to our consolidated financial statements for summary geographic location of portfolio companies.
- (4) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9) Index based floating interest rate is subject to contractual minimum interest rate.
- (10) Middle Market portfolio investment.
- (11)

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Other Portfolio investment.

(12)

Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.

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Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors appoints our officers, who serve at the discretion of the Board of Directors. The responsibilities of the Board of Directors include, among other things, the oversight of our investment activities, the quarterly valuation of our assets, oversight of our financing arrangements and corporate governance activities. The Board of Directors has an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, and may establish additional committees from time to time as necessary.

**Board of Directors and Executive Officers**

Our Board of Directors consists of six members, four of whom are classified under applicable NYSE listing standards as "independent" directors and under Section 2(a)(19) of the 1940 Act as "non-interested" persons. Pursuant to our articles of incorporation, each member of our Board of Directors serves a one year term, with each current director serving until the 2013 annual meeting of stockholders and until his respective successor is duly qualified and elected. Our articles of incorporation give our Board of Directors sole authority to appoint directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

*Directors*

Information regarding our current Board of Directors is set forth below as of August 1, 2012. We have divided the directors into two groups independent directors and interested directors. Interested directors are "interested persons" of MSCC as defined in Section 2(a)(19) of the 1940 Act. The address for each director is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

*Independent Directors*

Name	Age	Director Since	Expiration of Term
Michael Appling Jr.	45	2007	2013
Joseph E. Canon	70	2007	2013
Arthur L. French	72	2007	2013
J. Kevin Griffin	41	2011	2013

*Interested Directors*

Name	Age	Director Since	Expiration of Term
Vincent D. Foster	55	2007	2013
Todd A. Reppert	43	2007	2013

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#### *Executive Officers*

The following persons serve as our executive officers in the following capacities (ages as of August 1, 2012):

<b>Name</b>	<b>Age</b>	<b>Position(s) Held</b>
Vincent D. Foster*	55	Chairman of the Board, President and Chief Executive Officer
Todd A. Reppert*	43	Director and Executive Vice Chairman
Dwayne L. Hyzak	39	Chief Financial Officer, Senior Managing Director and Treasurer
Curtis L. Hartman	39	Chief Credit Officer and Senior Managing Director
David L. Magdol*	42	Chief Investment Officer and Senior Managing Director
Rodger A. Stout	60	Executive Vice President
Jason B. Beauvais	37	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary
Michael S. Galvan	43	Vice President and Chief Accounting Officer

\*

Member of our Investment Committee. The Investment Committee is responsible for all aspects of our investment process with respect to our LMM portfolio investments, including approval of such investments.

Member of our Credit Committee. The Credit Committee is responsible for all aspects of our investment process with respect to our Middle Market portfolio investments, including approval of such investments.

The address for each executive officer is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

#### **Biographical Information**

##### *Independent Directors*

*Michael Appling, Jr.* is the President and Chief Executive Officer of TNT Crane & Rigging Inc., a privately held full service crane and rigging operator. From July 2002 through August 2007, he was the Executive Vice President and Chief Financial Officer of XServ, Inc., a large private equity funded, international industrial services and rental company. Mr. Appling has also held the position of CEO and President for United Scaffolding, Inc., an XServ, Inc. operating subsidiary. In February 2007, XServ, Inc. was sold to The Brock Group, a private industrial services company headquartered in Texas. From March 2000 to June 2002, Mr. Appling served as the Chief Financial Officer of CheMatch.com, an online commodities trading forum. ChemConnect, Inc., a venture backed independent trading exchange, acquired CheMatch.com in January 2002. From June 1999 to March 2000, Mr. Appling was Vice President and Chief Financial Officer of American Eco Corporation, a publicly traded, international fabrication, construction and maintenance provider to the energy, pulp and paper and power industries. Mr. Appling worked for ITEQ, Inc., a publicly traded, international fabrication and services company, from September 1997 to May 1999, first as a Director of Corporate Development and then as Vice President, Finance and Accounting. From July 1991 to September 1997, Mr. Appling worked at Arthur Andersen LLP, where he practiced as a certified public accountant. We believe Mr. Appling is qualified to serve on our Board of Directors because of his extensive finance and accounting experience, as well as his executive leadership and management experience as a chief executive officer.

*Joseph E. Canon*, since 1982, has been the Executive Vice President and Executive Director, and a member of the Board of Directors, of Dodge Jones Foundation, a private charitable foundation located in Abilene, Texas. He has also been involved during this time as an executive officer and director of several private companies and partnerships with emphasis on energy, financial and other alternative

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investments. Prior to 1982, Mr. Canon was an Executive Vice President of the First National Bank of Abilene. From 1974 to 1976, he was the Vice President and Trust Officer with the First National Bank of Abilene. Mr. Canon currently serves on the Board of Directors of First Financial Bankshares, Inc. (NASDAQ-GM: FFIN), a \$3 billion bank and financial holding company headquartered in Abilene, Texas. Mr. Canon also serves on the Board of Directors for several bank and trust/asset management subsidiaries of First Financial Bankshares, Inc. He has also served as an executive officer and member of the Board of Directors of various other organizations including the Abilene Convention and Visitors Bureau, Abilene Chamber of Commerce, Conference of Southwest Foundations, City of Abilene Tax Increment District, West Central Texas Municipal Water District and the John G. and Marie Stella Kenedy Memorial Foundation. We believe Mr. Canon's qualifications to serve on our Board of Directors include his many years of managing and investing assets on behalf of public and private entities, his considerable experience in trust banking activities and practices, and his experience on other public boards of directors.

*Arthur L. French* has served in a variety of executive management and board of director roles over the course of his business career. He began his private investment activities in 2000 and served as a director of Fab Tech Industries, a steel fabricator, from November 2000 until August 2009, as a director of Houston Plating and Coatings Company, an industrial coatings company, from 2002 until 2007, as a director of Rawson LP, an industrial distribution and maintenance services company, from May 2003 until June 2009, and as non executive chairman of Rawson Holdings, LLC from March 2009 until December 2010. From September 2003 through March 2007, Mr. French was a member of the Advisory Board of Main Street Capital Partners, LLC and a limited partner of Main Street Mezzanine Fund, LP (both of which are now subsidiaries of Main Street). Mr. French currently serves as an advisor to LKCM Capital Group ("LKCM Capital"), an investment company headquartered in Ft. Worth, Texas. Since January 2011, he has also served as chairman of LKCM Distribution Holdings, LP, a LKCM Capital portfolio company that provides strategy overview and direction for several industrial distribution organizations engaged in maintenance and technical services, engineered products distribution and light manufacturing. In addition, since April 2010, Mr. French has served as a director of Industrial Distribution Group, another LKCM Capital portfolio company that provides industrial components and store room management services for manufacturing companies. From 1996-1999, Mr. French was Chairman and Chief Executive Officer of Metals USA Inc. (NYSE), where he managed the process of founders acquisition, assembled the management team and took the company through a successful IPO in July 1997. From 1989-1996, he served as Executive Vice President and Director of Keystone International, Inc. (NYSE), a manufacturer of flow controls equipment. After serving as a helicopter pilot in the United States Army, Captain Corps of Engineers from 1963-1966, Mr. French began his career as a Sales Engineer for Fisher Controls International, Inc., in 1966. During his tenure with Fisher Controls, from 1966-1989, Mr. French held various titles, and ended his career at Fisher Controls as President, Chief Operating Officer and Director. We believe Mr. French is qualified to serve on our Board of Directors because of his executive management and leadership roles within numerous public and private companies and his experience in investing in private companies.

*J. Kevin Griffin* is the Senior Vice President of Financial Planning & Analysis at Novant Health, a not-for-profit integrated system of 13 hospitals and a medical group consisting of 1,124 physicians in 355 clinic locations, as well as numerous outpatient surgery centers, medical plazas, rehabilitation programs, diagnostic imaging centers, and community health outreach programs. Mr. Griffin's responsibilities at Novant primarily include debt capital market and M&A transactions, along with various other strategic analysis projects. From 2007 to October 2012, Mr. Griffin was a Managing Director of Fennebresque & Co., LLC, a boutique investment banking firm located in Charlotte, North Carolina. From 2003 through 2007, he was a Partner at McColl Partners, LLC, where he originated and executed middle market M&A transactions. Prior to McColl Partners, Mr. Griffin worked in the M&A and corporate finance divisions of Lazard Ltd, JPMorgan, and Bank of America in New York, Chicago, and Charlotte. Mr. Griffin's investment banking experience consists primarily of executing and



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originating mergers and acquisitions and corporate finance transactions. We believe Mr. Griffin is qualified to serve on our Board of Directors because of his extensive finance and valuation experience, his knowledge of the healthcare industry, and his extensive background in working with middle market companies in an M&A and advisory capacity.

***Interested Directors***

*Vincent D. Foster* has served as the Chairman of our Board of Directors and as our Chief Executive Officer since 2007 and as our President since October 2012. He has also been a member of our investment committee since its formation in 2007 and a member of our credit committee since its formation in 2011. Mr. Foster also currently serves as a founding director of Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries, and Team, Inc. (NYSE: TISI), which provides specialty contracting services to the petrochemical, refining, electric power and other heavy industries. Mr. Foster also serves on the board of directors of HMS Income Fund, Inc., a non-publicly traded business development company. Main Street acts as the investment sub-adviser for HMS Income Fund, Inc., and Mr. Foster serves on its board of directors pursuant to a requirement of the investment sub-advisory agreement. He also served as a director of U.S. Concrete, Inc. (NASDAQ-CM: USCR) from 1999 until 2010 and Carriage Services, Inc. (NYSE: CSV) from 1999 to 2011. In addition, Mr. Foster served as a founding director of the Texas TriCities Chapter of the National Association of Corporate Directors from 2004 to 2011. Mr. Foster, a C.P.A., had a 19 year career with Arthur Andersen, where he was a partner from 1988-1997. Mr. Foster was the director of Andersen's Corporate Finance and Mergers and Acquisitions practice for the Southwest United States and specialized in working with companies involved in consolidating their respective industries. From 1997, Mr. Foster co-founded and has acted as co-managing partner or chief executive of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including Main Street Mezzanine Fund, LP and its general partner, Main Street Mezzanine Management, LLC, Main Street Capital II, LP and its general partner, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. Mr. Foster received the Ernst & Young Entrepreneur of the Year 2008 Award in the financial services category in the Houston & Gulf Coast Area. The program honors entrepreneurs who have demonstrated exceptionality in innovation, financial performance and personal commitment to their businesses and communities. We believe Mr. Foster is qualified to serve on our Board of Directors because of his intimate knowledge of our operations through his day-to-day leadership as Chief Executive Officer of Main Street, along with his comprehensive experience on other public Boards of Directors and his extensive experience in tax, accounting, mergers and acquisitions, corporate governance and finance.

*Todd A. Reppert* has served as our Executive Vice Chairman since October 2012. He has also been a member of our investment committee since its formation in 2007 and a member of our credit committee since its formation in 2011. Mr. Reppert also served as our President from 2007 until 2012 and as our Chief Financial Officer from 2007 until 2011. Mr. Reppert is also a director and member of the audit committee and nominating and governance committee of Consolidated Graphics, Inc. (NYSE: CGX), which is one of North America's leading commercial general printing companies. From 2000, Mr. Reppert co-founded and has acted as co-managing partner or in other executive roles of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including Main Street Mezzanine Fund, LP and its general partner, Main Street Mezzanine Management, LLC, Main Street Capital II, LP and its general partner, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. Prior to that, he was a principal of Sterling City Capital, LLC, a private investment group focused on small to middle market companies. Prior to joining Sterling City Capital in 1997, Mr. Reppert was with Arthur Andersen LLP since 1991. At Arthur Andersen LLP, he assisted in several industry consolidation initiatives, as well as numerous corporate finance and merger/acquisition initiatives. We believe Mr. Reppert's qualifications to serve on our Board of Directors include his extensive finance and accounting experience, his management and operational experience as the

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President of Main Street, and his considerable experience in corporate finance, mergers and acquisitions and investing in lower middle-market companies.

***Non-Director Executive Officers***

*Dwayne L. Hyzak* has served as our Chief Financial Officer and a Senior Managing Director since 2011 and as our Treasurer since June 2012. Previously, Mr. Hyzak served as one of our Senior Vice Presidents since 2007 and as Senior Vice President Finance since 2011. From 2002, Mr. Hyzak has served as a Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including the general partner of Main Street Mezzanine Fund, LP, Main Street Mezzanine Management, LLC, the general partner of Main Street Capital II, LP, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. From 2000 to 2002, Mr. Hyzak was a director of integration with Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries, where he was principally focused on the company's mergers and acquisitions and corporate finance activities. Prior to joining Quanta Services, Inc., he was a manager with Arthur Andersen LLP in its Transaction Advisory Services group.

*Curtis L. Hartman* has served as our Chief Credit Officer and a Senior Managing Director since 2011. Mr. Hartman is also the chairman of our credit committee. Previously, Mr. Hartman served as one of our Senior Vice Presidents since 2007. From 2000, Mr. Hartman has served as a Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including the general partner of Main Street Mezzanine Fund, LP, Main Street Mezzanine Management, LLC, the general partner of Main Street Capital II, LP, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. From 1999 to 2000, Mr. Hartman was an investment adviser for Sterling City Capital, LLC. Concurrently with joining Sterling City Capital, he joined United Glass Corporation, a Sterling City Capital portfolio company, as director of corporate development. Prior to joining Sterling City Capital, Mr. Hartman was a manager with PricewaterhouseCoopers LLP, in its M&A/Transaction Services group. Prior to that, he was employed as a senior auditor by Deloitte & Touche LLP.

*David L. Magdol* has served as our Chief Investment Officer and a Senior Managing Director since 2011. Mr. Magdol is also the chairman of our investment committee. Previously, Mr. Magdol served as one of our Senior Vice Presidents since 2007. From 2002, Mr. Magdol has served as a Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including the general partner of Main Street Mezzanine Fund, LP, Main Street Mezzanine Management, LLC, the general partner of Main Street Capital II, LP, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. Mr. Magdol joined Main Street from the investment banking group at Lazard Freres & Co. Prior to Lazard, he managed a portfolio of private equity investments for the McMullen Group, a private investment firm/family office capitalized by Dr. John J. McMullen, the former owner of the New Jersey Devils and the Houston Astros. Mr. Magdol began his career in the structured finance services group of JP Morgan Chase.

*Rodger A. Stout* has served as our Executive Vice President since June 2012. Previously, Mr. Stout served as our Chief Compliance Officer, Senior Vice President Finance and Administration and Treasurer since 2007. From 2006, Mr. Stout has served as the Chief Financial Officer and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours, including the general partner of Main Street Mezzanine Fund, LP, Main Street Mezzanine Management, LLC, the general partner of Main Street Capital II, LP, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. From 2000 to 2006, Mr. Stout was senior vice president and chief financial officer for FabTech Industries, Inc., one of the largest domestic structural steel fabricating companies. From 1985 to 2000, he was a senior financial executive for Jerold B. Katz Interests. He held numerous positions over his 15 year tenure with this national scope financial services

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conglomerate. Those positions included director, executive vice president, senior financial officer and investment officer. Prior to 1985, Mr. Stout was an international tax executive in the oil and gas service industry.

*Jason B. Beauvais* has served as our Senior Vice President, General Counsel, Chief Compliance Officer and Secretary since June 2012. Previously, Mr. Beauvais served as our Vice President, General Counsel and Secretary since 2008. From 2008, Mr. Beauvais has also served as General Counsel and in other executive positions of several of our subsidiary funds and entities, including the general partner of Main Street Mezzanine Fund, LP, Main Street Mezzanine Management, LLC, the general partner of Main Street Capital II, LP, Main Street Capital II GP, LLC, and Main Street Capital Partners, LLC. From 2006 through 2008, he was an attorney with Occidental Petroleum Corporation, an international oil and gas exploration and production company. Prior to joining Occidental Petroleum Corporation, Mr. Beauvais practiced corporate and securities law at Baker Botts L.L.P., where he primarily counseled companies in public issuances and private placements of debt and equity and handled a wide range of general corporate and securities matters as well as mergers and acquisitions.

*Michael S. Galvan* has served as our Vice President and Chief Accounting Officer since 2008. Prior to that, Mr. Galvan was senior manager of financial operations with Direct Energy, a retail gas and electricity service provider since October 2006. From September 2005 to October 2006, he was a senior audit manager with Malone & Bailey, PC, where he managed and coordinated audits of both publicly traded and private companies. From March 2003 to September 2005, Mr. Galvan was Director of Bankruptcy Coordination at Enron Corporation. Prior to March 2003, he served in other executive positions at various Enron affiliates. Prior to joining Enron, Mr. Galvan was a senior auditor with Arthur Andersen LLP.

**CORPORATE GOVERNANCE**

We maintain a corporate governance section on our website which contains copies of the charters for the committees of our Board of Directors. The corporate governance section may be found at <http://mainstcapital.com> under "Governance" in the "Investor Relations" section of our website. The corporate governance section contains the following documents, which are available in print to any stockholder who requests a copy in writing to Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056:

Audit Committee Charter  
Nominating and Corporate Governance Committee Charter  
Compensation Committee Charter

In addition, our Code of Business Conduct and Ethics and our Corporate Governance and Stock Ownership Guidelines may be found at <http://mainstcapital.com> under "Governance" in the "Investor Relations" section of our website and are available in print to any stockholder who requests a copy in writing.

**Director Independence**

Our Board of Directors currently consists of six members, four of whom are classified under applicable listing standards of the New York Stock Exchange as "independent" directors and under Section 2(a)(19) of the 1940 Act as not "interested persons." Based on these independence standards, our Board of Directors has affirmatively determined that the following directors are independent:

Michael Appling Jr.  
Joseph E. Canon  
Arthur L. French  
J. Kevin Griffin

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Our Board of Directors considered the following relationships in evaluating our directors' independence under the applicable listing standards of the New York Stock Exchange. Both Messrs. Canon and French had previously been limited partners in Main Street Mezzanine Fund, LP, and Mr. French had previously served on the Advisory Board of Main Street Capital Partners, LLC, one of our wholly owned subsidiaries and the investment adviser to Main Street Mezzanine Fund, LP and Main Street Capital II, LP, prior to our acquisition of these entities. Messrs. Canon and French were also limited partners in Main Street Capital II, LP, a Small Business Investment Company, or SBIC, fund licensed by the United States Small Business Administration, in which we acquired a majority limited partnership interest in January 2010. In February 2012, after obtaining exemptive relief from the Securities and Exchange Commission, or SEC, the Company acquired the limited partnership interest of each of Mr. French and Mr. Canon in Main Street Capital II, LP, along with the limited partnership interest of other affiliates of the Company, in accordance with the terms and conditions of such relief. Our Board of Directors determined that the prior relationships and transactions described above would not impact the ability of either Mr. Canon or Mr. French to exercise independent judgment and do not impair the independence of either of them.

**Communications with the Board**

Stockholders or other interested persons may send written communications to the members of our Board of Directors, addressed to Board of Directors, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056. All communications received in this manner will be delivered to one or more members of our Board of Directors.

**Board Leadership Structure**

Mr. Foster currently serves as both our Chief Executive Officer and as the Chairman of our Board of Directors. As our Chief Executive Officer, Mr. Foster is an "interested person" under Section 2(a)(19) of the 1940 Act. The Board believes that the Company's Chief Executive Officer is currently best situated to serve as Chairman given his history with the Company, his deep knowledge of the Company's business and his extensive experience in managing private debt and equity investments in lower middle market companies. The Company's independent directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings company-specific and industry-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board, which are essential to effective governance.

One of the key responsibilities of the Board is to oversee the development of strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with a Lead Independent Director as described below, is in the best interest of our stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

Our Board of Directors designated Arthur L. French as Lead Independent Director to preside at all executive sessions of non-management directors. In the Lead Independent Director's absence, the remaining non-management directors may appoint a presiding director by majority vote. The non-management directors meet in executive session without management on a regular basis. The Lead Independent Director also has the responsibility of consulting with management on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman and Chief Executive Officer and facilitating collaboration and communication between the non-management directors and management. Stockholders or other interested persons may send written communications to Arthur L. French,

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addressed to Lead Independent Director, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056.

**Board of Directors and its Committees**

*Board of Directors.* Our Board of Directors met six times and acted by unanimous written consent nine times during 2011. All directors attended at least 75% of the meetings of the Board of Directors and of the committees on which they served during 2011, and all directors attended the 2011 Annual Meeting of Stockholders in person. Our Board of Directors expects each director to make a diligent effort to attend all Board and committee meetings, as well as each Annual Meeting of Stockholders.

*Committees.* Our Board of Directors currently has, and appoints the members of, standing Audit, Compensation and Nominating and Corporate Governance Committees. Each of those committees is comprised entirely of independent directors and has a written charter approved by our Board of Directors. The current members of the committees are identified in the following table.

Director	Board Committees		
	Audit	Compensation	Nominating and Corporate Governance
Michael Appling Jr.	Chair		ý
Joseph E. Canon	ý	ý	Chair
Arthur L. French	ý	Chair	
J. Kevin Griffin	ý	ý	ý

*Audit Committee.* During the year ended December 31, 2011, the Audit Committee met five times. The Audit Committee is responsible for selecting, engaging and discharging our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants (as well as the compensation for those services), reviewing the independence of our independent accountants and reviewing the adequacy of our internal control over financial reporting. In addition, the Audit Committee is responsible for assisting our Board of Directors with its review and approval of the determination of the fair value of our debt and equity investments, and other financial investments, that are not publicly traded or for which current market values are not readily available. The current members of the Audit Committee are Messrs. Appling, Canon, French and Griffin. Our Board of Directors has determined that each of Messrs. Appling, Canon and Griffin is an "Audit Committee financial expert" as defined by the SEC. For more information on the backgrounds of these directors, see their biographical information under "Election of Directors" above.

*Compensation Committee.* During the year ended December 31, 2011, the Compensation Committee met five times and acted by unanimous written consent once. The Compensation Committee determines the compensation and related benefits for our executive officers including the amount of salary, bonus and stock-based compensation to be included in the compensation package for each of our executive officers. In addition, the Compensation Committee assists the Board of Directors in developing and evaluating the compensation of our non-management directors and evaluating succession planning with respect to the chief executive officer and other key executive positions. The actions of the Compensation Committee are generally reviewed and ratified by the entire Board of Directors, except the employee directors do not vote with respect to their compensation. The current members of the Compensation Committee are Messrs. Canon, French and Griffin.

*Nominating and Corporate Governance Committee.* During the year ended December 31, 2011, the Nominating and Corporate Governance Committee met five times. The Nominating and Corporate Governance Committee is responsible for determining criteria for service on our Board of Directors,

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identifying, researching and recommending to the Board of Directors director nominees for election by our stockholders, selecting nominees to fill vacancies on our Board of Directors or a committee of the Board, developing and recommending to our Board of Directors any amendments to our corporate governance principles and overseeing the self-evaluation of our Board of Directors and its committees. The current members of the Nominating and Corporate Governance Committee are Messrs. Appling, Canon and Griffin.

**Compensation Committee Interlocks and Insider Participation**

Each member of the Compensation Committee is independent for purposes of the applicable listing standards of the New York Stock Exchange. During the year ended December 31, 2011, no member of the Compensation Committee was an officer, former officer or employee of ours or had a relationship disclosable under "Certain Relationships and Related Transactions Transactions with Related Persons." No interlocking relationship, as defined by the rules adopted by the Securities and Exchange Commission, existed during the year ended December 31, 2011 between any member of the Board of Directors or the Compensation Committee and an executive officer of Main Street.

**Director Nomination Process**

Our Nominating and Corporate Governance Committee has determined that a candidate for election to our Board of Directors must satisfy certain general criteria, including, among other things:

be an individual of the highest character and integrity and have an inquiring mind, vision, a willingness to ask hard questions and the ability to work professionally with others;

be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;

be willing and able to devote sufficient time to the affairs of our company and be diligent in fulfilling the responsibilities of a member of our Board of Directors and a member of any committee thereof (including: developing and maintaining sufficient knowledge of our company and the specialty finance industry in general; reviewing and analyzing reports and other information important to responsibilities of the Board of Directors and any committee of our Board of Directors; preparing for, attending and participating in meetings of our Board of Directors and meetings of any committee of our Board of Directors; and satisfying appropriate orientation and continuing education guidelines); and

have the capacity and desire to represent the balanced, best interests of our stockholders as a whole and not primarily a special interest group or constituency.

The Nominating and Corporate Governance Committee seeks to identify potential director candidates who will strengthen the Board of Directors and will contribute to the overall mix of general criteria identified above. In addition to the general criteria, the Nominating and Corporate Governance Committee considers specific criteria, such as particular skills, experiences (whether in business or in other areas such as public service, academia or scientific communities), areas of expertise, specific backgrounds, and other characteristics, that should be represented on the Board of Directors to enhance its effectiveness and the effectiveness of its committees. The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating and Corporate Governance Committee believe that it is essential that the Board members represent diverse viewpoints and a diverse mix of the specific criteria above. The process of identifying potential director candidates includes establishing procedures for soliciting and reviewing potential nominees from directors and for advising those who suggest nominees of the outcome of such review. The Nominating and Corporate Governance Committee also has the authority to retain and terminate any search firm used to identify director candidates.

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Any stockholder may nominate one or more persons for election as one of our directors at an annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our by-laws and any other applicable law, rule or regulation regarding director nominations. When submitting a nomination to our company for consideration, a stockholder must provide certain information that would be required under applicable SEC rules, including the following minimum information for each director nominee: full name, age and address; number of any shares of our stock beneficially owned by the nominee, if any; the date such shares were acquired and the investment intent of such acquisition; whether such stockholder believes the nominee is an "interested person" of our company, as defined in 1940 Act; and all other information required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required, including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected. See "Stockholders' Proposals" in our proxy statement and our by-laws for other requirements of stockholder proposals.

The Nominating and Corporate Governance Committee will consider candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. The Nominating and Corporate Governance Committee also takes into account the contributions of incumbent directors as Board members and the benefits to us arising from their experience on our Board of Directors. Although the Nominating and Corporate Governance Committee will consider candidates identified by stockholders, the Nominating and Corporate Governance Committee may determine not to recommend those candidates to our Board of Directors, and our Board of Directors may determine not to nominate any candidates recommended by the Nominating and Corporate Governance Committee. None of the director nominees named in this prospectus were nominated by stockholders.

**Board's Role in the Oversight of Risk Management**

Our Board of Directors as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board Committees that report on their deliberations to the full Board. The oversight responsibility of the Board and its Committees is enabled by management reporting processes that are designed to provide visibility to the Board about the identification, assessment and management of critical risks and management's risk mitigation strategies. Areas of focus include competitive, economic, operational, financial (accounting, credit, liquidity and tax), legal, regulatory, compliance and other risks. The Board and its Committees oversee risks associated with

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their respective principal areas of focus, as summarized below. Committees meet in executive session with key management personnel regularly and with representatives of outside advisors as necessary.

<b>Board/Committee</b>	<b>Primary Areas of Risk Oversight</b>
Full Board	Strategic, financial and execution risks and exposures associated with the annual operating plan and five-year strategic plan; major litigation and regulatory exposures and other current matters that may present material risk to our operations, plans, prospects or reputation; material acquisitions and divestitures.
Audit Committee	Risks and exposures associated with financial matters, particularly investment valuation, financial reporting and disclosure, tax, accounting, oversight of independent accountants, internal control over financial reporting, financial policies and credit and liquidity matters.
Compensation Committee	Risks and exposures associated with leadership assessment, senior management succession planning, executive and director compensation programs and arrangements, including incentive plans, and compensation related regulatory compliance.
Nominating and Corporate Governance Committee	Risks and exposures relating to our programs and policies relating to legal compliance, corporate governance, and director nomination, evaluation and succession planning.

**COMPENSATION OF DIRECTORS**

The following table sets forth the compensation that we paid during the year ended December 31, 2011 to our directors. Directors who are also employees of Main Street or any of its subsidiaries do not receive compensation for their services as directors.

**Director Compensation Table**

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards(1)</b>	<b>All Other Compensation(2)</b>	<b>Total</b>
Arthur L. French	\$ 72,500	\$ 29,990	\$ 2,566	\$ 105,056
Michael Appling Jr.	57,500	29,990	2,566	90,056
Joseph E. Canon	47,500	29,990	2,566	80,056
J. Kevin Griffin(3)	36,795	29,993	887	67,675
William D. Gutermuth(4)	42,500	29,990	2,566	75,056

(1)

Each of Messrs. French, Appling and Canon received an award of 1,646 restricted shares on June 20, 2011 and Mr. Griffin received an award of 1,658 restricted shares on August 3, 2011, each under the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan (the "Non-Employee Director Plan"), which will vest 100% on June 13, 2012, the day before the Annual Meeting, provided that the grantee



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has been in continuous service as a member of the Board through such date. Mr. Gutermuth also received an award of 1,646 restricted shares on June 20, 2011 under the Non-Employee Director Plan; however, pursuant to the terms of the Non-Employee Director Plan, the Board accelerated the vesting of these restricted shares to immediately prior to his retirement on March 2, 2012. These amounts represent the grant date fair value of the 2011 stock awards in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the date of grant. Pursuant to SEC rules, the amounts shown exclude the impact of any estimated forfeitures related to service-based vesting conditions. These amounts may not correspond to the actual value that will be recognized by our directors upon vesting. Each of Messrs. French, Appling, Canon and Gutermuth had 1,646, and Mr. Griffin had 1,658, unvested shares of restricted stock outstanding as of December 31, 2011. Please see the discussion of the assumptions made in the valuation of these awards in Note M to the audited consolidated financial statements included in this prospectus.

(2) These amounts reflect the dollar value of dividends paid on unvested restricted stock awards in 2011.

(3) Mr. Griffin was appointed by the Board on August 3, 2011 to fill a newly created vacancy.

(4) On March 2, 2012, Mr. Gutermuth retired from the Board and each of its committees to permit his law firm, Bracewell & Giuliani LLP, to act as legal counsel to Main Street. Under the 1940 Act and the corporate governance rules of the New York Stock Exchange, Mr. Gutermuth could not continue to act as an independent director of Main Street if his law firm performs legal services for Main Street. Mr. Gutermuth's retirement was not the result of any disagreement with management or the Board related to Main Street's operations, policies or practices. After Mr. Gutermuth's retirement, the Board reduced the size of the Board from seven to six directors.

The compensation for non-employee directors for 2011 was comprised of cash compensation paid to or earned by directors in connection with their service as a director. That cash compensation consisted of an annual retainer of \$42,500, and an additional \$20,000 retainer for the Lead Independent Director. Non-employee directors do not receive fees based on meetings attended absent circumstances that require an exceptionally high number of meetings within an annual period. We also reimburse our non-employee directors for all reasonable expenses incurred in connection with their service on our Board. The chairs of our Board committees receive additional annual retainers as follows:

the chair of the Audit Committee: \$15,000;

the chair of the Compensation Committee: \$10,000; and

the chair of the Nominating and Corporate Governance Committee: \$5,000.

The Non-Employee Director Plan provides a means through which we may attract and retain qualified non-employee directors to enter into and remain in service on our Board of Directors. Under the Non-Employee Director Plan, at the beginning of each one-year term of service on our Board of Directors, each non-employee director will receive a number of shares equivalent to \$30,000 worth of shares based on the closing price of a share of our common stock on the New York Stock Exchange (or other exchange on which are shares are then listed) on the date of grant. Forfeiture provisions will lapse as to an entire award at the end of the one-year term.

For the beneficial ownership of our common stock by each of our directors and the dollar range value of such ownership, please see "Control Persons and Principal Stockholders."

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**COMPENSATION DISCUSSION AND ANALYSIS**

*The following Compensation Discussion and Analysis, or CD&A, provides information relating to the 2011 compensation of Main Street's Chief Executive Officer, President, Chief Financial Officer and three other most highly compensated executive officers during 2011. Those six individuals are referred to in this CD&A as the Named Executive Officers, or NEOs.*

**Compensation Philosophy and Objectives**

The Main Street compensation system was developed by the Compensation Committee and approved by all independent directors. The system is designed to attract and retain key executives, motivate them to achieve the Company's business objectives and reward them for performance while aligning management's interests with those of the Company's stockholders. The structure of Main Street's incentive compensation programs is formulated to encourage and reward the following, among other things:

achievement of income and capital gains to sustain and grow the Company's dividend payments;

maintenance of liquidity and capital flexibility to accomplish the Company's business objectives, including the preservation of investor capital;

attainment of superior risk-adjusted returns on the Company's investment portfolio; and

professional development and growth of individual executives, the management team and other employees.

The Compensation Committee has the primary authority to establish compensation for the NEOs and other key employees and administers all executive compensation arrangements and policies. Main Street's Chief Executive Officer assists the Committee by providing recommendations regarding the compensation of NEOs and other key employees, excluding himself. The Committee exercises its discretion by modifying or accepting these recommendations. The Chief Executive Officer routinely attends a portion of the Committee meetings. However, the Committee often meets in executive session without the Chief Executive Officer or other members of management when discussing compensation matters and on other occasions as determined by the Committee.

The Compensation Committee takes into account competitive market practices with respect to the salaries and total direct compensation of the NEOs. Members of the Committee consider market practices by reviewing proxy statements or similar information made available by other internally managed business development companies, or BDCs, under the 1940 Act. The Committee also has the authority to utilize compensation consultants to better understand competitive pay practices and has retained such expertise in the past.

**Assessment of Market Data**

To assess the competitiveness of executive compensation levels, the Compensation Committee analyzes a comparative group of BDCs and reviews their competitive performance and compensation levels. This analysis focuses on key elements of compensation practices within the BDC industry in general and, more specifically, compensation practices at internally managed BDCs reasonably comparable in asset size, typical investment size and type, market capitalization and general business scope to the Company. For 2011, the peer group includes Hercules Technology Growth Capital, Inc., MCG Capital Corporation, Kohlberg Capital Corporation and Triangle Capital Corporation. In addition to analyzing these and other BDCs, the Committee also evaluates the relative cost structure of the Company compared to the entire BDC sector, including internally and externally managed BDCs, as well as the compensation structure of the private equity industry and other asset management companies based on public information such as proxy statements and third party compensation surveys.

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Items taken into account include, but are not necessarily limited to, base compensation, bonus compensation, equity option awards, restricted stock awards, and other compensation as detailed in the respective proxies, research analysts' reports and other publicly available information. In addition to actual levels of compensation, the Compensation Committee also analyzes the approach other BDCs are taking with regard to NEO compensation practices. Such items include, but are not necessarily limited to, the use of employment agreements for certain employees, a mix of cash and equity compensation, the use of third party compensation consultants and certain corporate and executive performance measures established to achieve long-term total return for stockholders. Although none of the peer companies is precisely comparable in size, strategy, scope and operations to the Company, the Committee believes that they are the most relevant comparable companies available with disclosed executive compensation data, and provide a good representation of competitive compensation levels for the Company's executives.

**Assessment of Company Performance**

The Compensation Committee believes that sustainable financial performance coupled with reasonable, long-term stockholders' returns and proportional employee compensation are essential components for Main Street's long-term business success. Main Street typically makes three to seven year investments in its portfolio companies. The Company's business plan involves taking on investment risk over a range of time periods. Accordingly, much emphasis is focused on maintaining the stability of net asset values as well as the continuity of earnings to pass through to stockholders in the form of recurring dividends. The quality of the earnings supporting the dividends as well as the maintenance and growth of dividends are key metrics in the Committee's assessment of financial performance.

Main Street's strategy is to generate current income from debt investments and to realize capital gains from equity-related investments. This income supports the payment of dividends to stockholders. The recurring payment of dividends requires a methodical investment acquisition approach and active monitoring and management of the investment portfolio over time. A meaningful part of the Company's employee base is dedicated to the maintenance of asset values and expansion of this recurring income to sustain and grow dividends. The Committee believes that stability with regard to the management team is important in achieving successful implementation of the Company's strategy. Further, the Committee, in establishing and assessing executive salary and performance incentives, is relatively more focused on Main Street results rather than the performance of other comparable companies or industry comparisons.

**Executive Compensation Components**

For 2011, the components of Main Street's direct compensation program for NEOs include:

base salary;

annual cash bonuses;

long-term compensation pursuant to the 2008 Equity Incentive Plan; and

other benefits.

The Compensation Committee designs each NEO's direct compensation package to appropriately reward the NEO for his contribution to the Company. The judgment and experience of the Committee are weighed with individual and Company performance metrics and consultation with the Chief Executive Officer to determine the appropriate mix of compensation for each individual. Cash compensation consisting of base salary and discretionary bonuses tied to achievement of individual performance goals reviewed and approved by the Committee, as well as corporate objectives, is intended to motivate NEOs to remain with the Company and work to achieve its business objectives. Stock-based compensation is awarded based on performance expectations reviewed and approved by

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the Committee for each NEO. The blend of short-term and long-term compensation may be adjusted from time to time to balance the Committee's views regarding the benefits of current cash compensation and appropriate retention incentives.

***Base Salary***

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of the NEOs in their roles. In connection with establishing the base salary of each NEO, the Compensation Committee and management consider a number of factors, including the seniority and experience level of the individual, the functional role of his position, the level of the individual's responsibility, the Company's ability to replace the individual, the past base salary of the individual and the relative number of well-qualified candidates available in the area. In addition, the Committee considers publicly available information regarding the base salaries paid to similarly situated executive officers and other competitive market practices.

The salaries of the NEOs are reviewed on an annual basis, as well as at the time of promotion or any substantial change in responsibilities. The key factors in determining increases in salary level are relative performance and competitive pressures.

***Annual Cash Bonuses***

Annual cash bonuses are intended to reward individual performance during the year and can therefore be highly variable from year to year. Bonus opportunities for the NEOs are determined by the Compensation Committee on a discretionary basis and are based on performance criteria, particularly the company's dividend performance as well as corporate and individual performance goals and measures set by the Committee with the Chief Executive Officer's input (except with respect to his own performance criteria). Should actual performance exceed expected performance criteria, the Committee may adjust individual cash bonuses to take such superior performance into account.

***Long-Term Incentive Awards***

Main Street's Board and stockholders have approved the 2008 Equity Incentive Plan to provide stock-based awards as long-term incentive compensation to employees, including the NEOs. The Company uses stock-based awards to (i) attract and retain key employees, (ii) motivate employees by means of performance-related incentives to achieve long-range performance goals, (iii) enable employees to participate in the Company's long-term growth in value and (iv) link employees' compensation to the long-term interests of stockholders. At the time of each award, the Compensation Committee will determine the terms of the award, including any performance period (or periods) and any performance objectives relating to vesting of the award.

*Options.* The Compensation Committee may grant equity options to purchase Main Street's common stock (including incentive stock options and nonqualified stock options). The Committee expects that any options granted by it will represent a fixed number of shares of common stock, will have an exercise price equal to the fair market value of common stock on the date of grant, and will be exercisable, or "vested," at some later time after grant. Some stock options may provide for vesting simply by the grantee remaining employed by Main Street for a period of time, and some may provide for vesting based on the grantee and/or the Company attaining specified performance levels. To date, the Committee has not granted any stock options to any NEO.

*Restricted Stock.* Main Street has received exemptive relief from the SEC that permits the Company to grant restricted stock in exchange for or in recognition of services by its executive officers and employees. Pursuant to the 2008 Equity Incentive Plan, the Compensation Committee may award shares of restricted stock to plan participants in such amounts and on such terms as the Committee determines in its sole discretion, provided that such awards are consistent with the conditions set forth

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in the SEC's exemptive order. Each restricted stock grant will be for a fixed number of shares as set forth in an award agreement between the grantee and Main Street. Award agreements will set forth time and/or performance vesting schedules and other appropriate terms and/or restrictions with respect to awards, including rights to dividends and voting rights. The Committee's normal practice had been to have restricted stock awards for NEOs vest over a four year time frame in equal increments.

***Other Benefits***

Main Street's NEOs participate in the same benefit plans and programs as the Company's other employees, including comprehensive medical and dental insurance, vision care, business travel insurance and short term disability coverage as well as long term disability insurance.

Main Street maintains a 401(k) plan for all full-time employees who are at least 21 years of age through which the Company makes non-discretionary matching contributions to each participant's plan account on the participant's behalf. For each participating employee, the Company's contribution is generally a match of the employee's contributions up to a 4.5% contribution level with a maximum annual regular matching contribution of \$11,025 during 2011. All contributions to the plan, including those made by the Company, vest immediately. The Board of Directors may also, at its sole discretion, make additional contributions to employee 401(k) plan accounts, which would vest on the same basis as other employer contributions.

***Perquisites***

The Company provides no other material benefits, perquisites or retirement benefits to the NEOs.

**Potential Payments Upon Change in Control**

Upon specified transactions involving a change in control (as defined in the 2008 Equity Incentive Plan), all outstanding awards under the 2008 Equity Incentive Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar awards, the awards held by the plan participants will be subject to accelerated vesting in full and, in the case of options, then terminated to the extent not exercised within a designated time period.

Transactions involving a "change in control" under the 2008 Equity Incentive Plan include:

a consolidation, merger, stock sale or similar transaction or series of related transactions in which Main Street is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert;

a sale or transfer of all or substantially all of the Company's assets;

Main Street's dissolution or liquidation; or

a change in the membership of the Company's Board of Directors such that the individuals who, as of the effective date of the plan, constitute the Board of Directors, whom are referred to as the Continuing Directors, and any new director whose appointment or election to the Board of Directors was approved by a vote of at least two thirds of the Continuing Directors then comprising the Board of Directors, cease to constitute at least a majority of the Board.

The number of shares and value of restricted stock for the NEOs as of December 31, 2011 that would have vested under the acceleration scenarios described above is shown under the caption entitled "Compensation of Executive Officers Outstanding Equity Awards at Fiscal Year-End."

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**Tax Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code generally disallows a deduction to public companies to the extent of excess annual compensation over \$1 million paid to certain executive officers, except for qualified performance-based compensation. Main Street's general policy, where consistent with business objectives, is to preserve the deductibility of executive officer compensation. However, the Compensation Committee may authorize amounts and forms of compensation that might not be deductible if the Committee deems such to be in the best interests of Main Street and its stockholders.

**Participation of Executives in Outside Public Directorships**

Our Board of Directors believes that there may be benefits to the Company from our executive officers, including our NEOs, being involved in outside public company directorships. The business experience, knowledge and contacts gained by our executives in such capacities can be a valuable asset to the Company. However, involvement in such outside public directorships can be time consuming and may take time away from the executives' responsibilities to the Company. With this in mind, our Board of Directors implemented a policy starting in 2009 to permit executive officers to participate in outside public directorships with the prior approval of the independent members of our Board of Directors. The policy requires that 75% of the cash retainers for any such directorships be paid to the Company. In 2011 this policy applied only to Messrs. Foster and Reppert since they were the only executive officers with any outside public directorships. Mr. Foster currently serves as a director for two public companies other than the Company, and Mr. Reppert serves as a director of one other public company.

**Stockholder Advisory Vote on Executive Compensation**

At our 2011 Annual Meeting of Stockholders, our stockholders provided an advisory vote with 95% of the votes cast approving our compensation philosophy, policies and procedures and the 2010 fiscal year compensation of our NEOs (the "Advisory Vote"). Subsequently, the Compensation Committee considered the results of the Advisory Vote in determining compensation policies and decisions of the Company. The Advisory Vote affected the Company's executive compensation decisions and policies by reaffirming the Company's compensation philosophies, and the Compensation Committee will continue to use these philosophies and past practice in determining future compensation decisions.

**2011 Compensation Determination**

The Compensation Committee analyzed the competitiveness of the components of compensation described above on both an individual and aggregate basis. The Committee believes that the total compensation paid to the NEOs for the fiscal year ended December 31, 2011, is consistent with the overall objectives of Main Street's executive compensation program.

*Determination of Annual Base Salary*

The Compensation Committee annually reviews the base salary of each executive officer, including each NEO, and determines whether or not to increase it in its sole discretion. Increases to base salary can be awarded to recognize, among other things, relative performance, relative cost of living and competitive pressures.

In 2011, (i) Mr. Foster was paid an annual base salary of \$453,074, an increase of 8.0% over his 2010 annual base salary, (ii) Mr. Reppert was paid an annual base salary of \$336,121, an increase of 3.5% over his 2010 annual base salary, (iii) Mr. Hyzak was paid an annual base salary of \$259,290, an increase of 11.8% over his 2010 annual base salary, (iv) Messrs. Hartman and Magdol were each paid an annual base salary of \$250,956, an increase of 8.2% over their 2010 annual base salaries, and (v) Mr. Stout was paid an annual base salary of \$239,956, an increase of 3.5% over his 2010 annual

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base salary. All of these salary increases are attributable to NEO and Company performance in 2011 and also to more closely align their compensation with similar executive officers of the Company's peer group of comparative companies. In addition, the salary increases for Messrs. Hyzak, Hartman and Magdol also reflect increases to base salaries in connection with their promotions in August 2011 to Chief Financial Officer, Chief Credit Officer and Chief Investment Officer, respectively. The Committee believes that the salary increases and resulting base salaries were competitive in the market place and appropriate for Main Street executives as a key component of an overall compensation package.

***Determination of Annual Cash Incentive Bonus***

Cash bonuses are determined annually by the Compensation Committee on a discretionary basis. The Committee considered performance achievements in the determination of cash bonuses for 2011, including company performance and the personal performance of each individual. The performance goals used for determining the cash bonuses for NEOs included, among other things, the following:

Achievement of corporate objectives, particularly those related to the maintenance and growth of dividends and preservation of capital through maintenance and growth of net asset value per share;

Individual performance and achievement of individual goals, as well as the contribution to corporate objectives;

Maintaining liquidity and capital flexibility to accomplish the Company's business objectives;

Maintaining the highest ethical standards, internal controls and adherence to regulatory requirements; and

Appropriate and planned development of personnel.

The Company paid cash bonuses to NEOs for 2011 in recognition of the Company's excellent performance, as well as each individual NEO's performance and contribution to the Company's performance. Company performance criteria included total shareholder return versus comparable companies and the market in general, increased dividend per share payout, increased net asset value per share and increased distributable net investment income per share, the net appreciation and growth of the investment portfolio and maintenance and improvement of a relatively low total operating cost structure among comparable companies. In summary, the performance of individual NEOs and the management team overall was at a consistent high level resulting in outstanding financial results. In addition, the Company was named the 2011 Small Business Investment Company of the Year by the U.S. Small Business Administration. The U.S. Small Business Administration annually presents the SBIC of the Year award to an SBIC program participant that demonstrates excellence in financial performance, as well as dedication to promoting the objectives of the SBIC program.

The amount of cash bonus paid to each NEO for 2011 is presented under the caption entitled "Compensation of Executive Officers Summary Compensation Table." The Committee believes that these cash bonus awards are individually appropriate based on 2011 performance. Such bonuses comprise a key component of the Company's overall compensation program.

***Determination of Long-Term Incentive Awards***

The Company granted restricted shares to our NEOs in 2011 to recognize individual contributions to corporate strategic priorities and to the long-term performance of the Company. Contributions to the future success of the Company include expanded roles of NEOs within the Company, recruitment and development of personnel, advancement of various strategic initiatives with benefits beyond the current year, development of various capital structure alternatives and enhancement of the Company's

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reputation with key constituents. The amount of restricted shares granted to each NEO in 2011 is presented under the caption entitled "Compensation of Executive Officers Grants of Plan-Based Awards." The Committee is currently assessing the potential for long-term incentive compensation through grants of restricted shares to our NEOs for 2012, which will be awarded in June 2012. All restricted stock grants to NEOs under the 2008 Equity Incentive Plan vest ratably over four years from the grant date.

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table summarizes compensation of our Chief Executive Officer, our Chief Financial Officer and our four highest paid executive officers who did not serve as our Chief Executive Officer or Chief Financial Officer during 2011, all of whom we refer to as our NEOs, for the fiscal year ended December 31, 2011.

**Summary Compensation Table**

Name and Principal Position	Year	Salary(1)	Bonus(1)(2)	Stock Awards(3)	All Other Compensation(4)	Total
Vincent D. Foster	2011	\$ 453,074	\$ 793,450	\$ 438,756	\$ 115,912	\$ 1,801,192
Chairman, President and Chief Executive Officer	2010	419,450	210,000	453,546	99,324	1,182,320
	2009	353,910		445,433	79,944	879,287
Todd A. Reppert	2011	\$ 336,121	\$ 558,150	\$ 295,984	\$ 91,511	\$ 1,281,766
Executive Vice Chairman	2010	324,716	160,000	399,536	77,722	961,974
	2009	316,410		237,303	70,719	624,432
Dwayne L. Hyzak	2011	\$ 259,290	\$ 464,250	\$ 218,877	\$ 72,863	\$ 1,015,280
Chief Financial Officer and Senior Managing Director	2010	231,848	130,000	264,655	66,952	693,455
	2009	223,229		142,086	73,061	438,376
Curtis L. Hartman	2011	\$ 250,956	\$ 409,750	\$ 218,877	\$ 69,195	\$ 948,778
Chief Credit Officer and Senior Managing Director	2010	231,848	110,000	264,655	61,897	668,400
	2009	223,229		112,955	68,488	404,672
David L. Magdol	2011	\$ 250,956	\$ 371,250	\$ 218,877	\$ 69,195	\$ 910,278
Chief Investment Officer and Senior Managing Director	2010	231,848	140,000	264,655	61,897	698,400
	2009	223,229		112,955	68,488	404,672
Rodger A. Stout	2011	\$ 239,956	\$ 470,250	\$ 203,955	\$ 68,929	\$ 983,090
Chief Compliance Officer, Senior Vice President Finance and Treasurer	2010	231,848	115,000	251,096	64,129	662,073
	2009	223,229		112,955	71,769	407,953

(1) All salaries and cash bonuses are paid by one of our wholly owned subsidiaries, Main Street Capital Partners, LLC.

(2) These amounts reflect annual cash bonuses earned by the NEOs and were determined based on individual and corporate performance as determined by the Compensation Committee.

(3) These amounts represent the grant date fair value of stock awards in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the grant date. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. These amounts do not correspond to the actual value that will be recognized by our NEOs upon the vesting dates of such grants. Please see the discussion of the assumptions made in the valuation of these awards in Note M to the audited consolidated financial statements included in this prospectus.



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(4)

"All Other Compensation" for 2011, 2010 and 2009 includes the following:

Name	Year	401(k) Employer Contributions(a)	Dollar Value of Dividends on Unvested Restricted Stock		Total
Vincent D. Foster	2011	\$ 11,025	\$	104,887	\$ 115,912
	2010	11,025		88,299	99,324
	2009	20,825		59,119	79,944
Todd A. Reppert	2011	\$ 11,025	\$	80,486	\$ 91,511
	2010	11,025		66,697	77,722
	2009	20,825		49,894	70,719
Dwayne L. Hyzak	2011	\$ 10,963	\$	61,900	\$ 72,863
	2010	9,995		56,957	66,952
	2009	20,825		52,236	73,061
Curtis L. Hartman	2011	\$ 10,754	\$	58,441	\$ 69,195
	2010	9,995		51,902	61,897
	2009	20,825		47,663	68,488
David L. Magdol	2011	\$ 10,754	\$	58,441	\$ 69,195
	2010	9,995		51,902	61,897
	2009	20,825		47,663	68,488
Rodger A. Stout	2011	\$ 10,798	\$	58,131	\$ 68,929
	2010	10,443		53,686	64,129
	2009	20,825		50,944	71,769

(a)

For 2009, these amounts reflect regular employer matching contributions of \$11,025 we made to our 401(k) Plan and an additional, board approved employer matching contribution of \$9,800 we made to our 401(k) Plan.

**Grants of Plan-Based Awards**

The following table sets forth information regarding restricted stock awards granted to our NEOs in fiscal 2011:

Name	Grant Date	Stock Awards; Number of Shares of Stock(1)	Grant Date Fair Value of Stock Awards
Vincent D. Foster	June 20, 2011	24,081	\$ 438,756
Todd A. Reppert	June 20, 2011	16,245	295,984
Dwayne L. Hyzak	June 20, 2011	12,013	218,877
Curtis L. Hartman	June 20, 2011	12,013	218,877
David L. Magdol	June 20, 2011	12,013	218,877
Rodger A. Stout	June 20, 2011	11,194	203,955

(1)

All restricted stock grants to NEOs under the 2008 Equity Incentive Plan vest ratably over four years from the grant date.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth the awards of restricted stock for which forfeiture provisions have not lapsed and remain outstanding at December 31, 2011:

Name	Stock Awards	
	Number of Shares of Stock that have not Vested(1)	Market Value of Shares of Stock that have not Vested(2)
Vincent D. Foster	69,830(3)	\$ 1,483,189
Todd A. Reppert	51,939(4)	1,103,184
Dwayne L. Hyzak	38,904(5)	826,321
Curtis L. Hartman	37,246(6)	791,105
David L. Magdol	37,246(7)	791,105
Rodger A. Stout	36,381(8)	772,732

- (1) No restricted stock awards have been transferred.
- (2) The market value of shares of stock that have not vested was determined based on the closing price of our common stock on the New York Stock Exchange at December 31, 2011.
- (3) 6,020 of these shares will vest on June 20, 2012; 22,882 will vest on July 1, 2012; 6,020 shares will vest on June 20, 2013; 15,382 will vest on July 1, 2013; 6,020 shares will vest on June 20, 2014; 7,485 will vest on July 1, 2014; and 6,021 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.
- (4) 4,061 of these shares will vest on June 20, 2012; 18,300 will vest on July 1, 2012; 4,061 shares will vest on June 20, 2013; 10,801 will vest on July 1, 2013; 4,061 shares will vest on June 20, 2014; 6,593 will vest on July 1, 2014; and 4,062 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.
- (5) 3,003 of these shares will vest on June 20, 2012; 15,636 will vest on July 1, 2012; 3,003 shares will vest on June 20, 2013; 6,887 will vest on July 1, 2013; 3,003 shares will vest on June 20, 2014; 4,368 will vest on July 1, 2014; and 3,004 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.
- (6) 3,003 of these shares will vest on June 20, 2012; 14,495 will vest on July 1, 2012; 3,003 shares will vest on June 20, 2013; 6,370 will vest on July 1, 2013; 3,003 shares will vest on June 20, 2014; 4,368 will vest on July 1, 2014; and 3,004 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.
- (7) 3,003 of these shares will vest on June 20, 2012; 14,495 will vest on July 1, 2012; 3,003 shares will vest on June 20, 2013; 6,370 will vest on July 1, 2013; 3,003 shares will vest on June 20, 2014; 4,368 will vest on July 1, 2014; and 3,004 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.
- (8) 2,798 of these shares will vest on June 20, 2012; 14,896 will vest on July 1, 2012; 2,799 shares will vest on June 20, 2013; 6,147 will vest on July 1, 2013; 2,798 shares will vest on June 20, 2014; 4,144 will vest on July 1, 2014; and 2,799 shares will vest on June 20, 2015, subject in each case to the NEO still being employed by us on the respective vesting date.

Table of Contents**Equity Awards Vested in 2011 Fiscal Year**

The following table sets forth information regarding shares of restricted stock for which forfeiture restrictions lapsed during the fiscal year ended December 31, 2011:

Name	Stock Awards	
	Number of Shares Acquired on Vesting(1)	Value Realized on Vesting(2)
Vincent D. Foster	22,882	\$ 438,190
Todd A. Reppert	18,301	350,464
Dwayne L. Hyzak	15,636	299,429
Curtis L. Hartman	14,495	277,579
David L. Magdol	14,495	277,579
Rodger A. Stout	14,896	285,258

- (1) Number of shares acquired upon vesting is before withholding of vesting shares by the Company to satisfy tax withholding obligations. Each of our NEOs elected to satisfy its tax withholding obligations by having the Company withhold a portion of its vesting shares.
- (2) Value realized upon vesting is based on the closing price of our common stock on the vesting date.

**Risk Management and Compensation Policies and Practices**

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee has reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded:

compensation is allocated among base salary and short and long-term compensation opportunities in such a way as to not encourage excessive risk-taking;

significant weighting towards long-term incentive compensation discourages short-term risk taking;

goals are appropriately set to avoid targets that, if not achieved, result in a large percentage loss of compensation; and

multi-year vesting of our equity awards and share ownership guidelines properly account for the time horizon of risk.

Furthermore, as described in our Compensation Discussion and Analysis, compensation decisions include subjective considerations, which restrain the influence of formulae or objective factors on excessive risk taking.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We co-invested with Main Street Capital II, LP ("MSC II") in several existing portfolio investments prior to our initial public offering (the "IPO"), but did not co-invest with MSC II subsequent to the IPO and prior to June 2008. In June 2008, we received exemptive relief from the SEC to allow us to resume co-investing with MSC II in accordance with the terms of such exemptive relief. The co-investments among us and MSC II have all been made at the same time and on the same terms and conditions. The co-investments were also made in accordance with Main Street Capital Partners, LLC's conflicts policy and in accordance with the applicable SBIC conflict of interest regulations. MSC II is managed by Main Street Capital Partners, LLC, and Main Street Capital Partners, LLC is wholly owned by us. MSC II is an SBIC fund with similar investment objectives to us and which began its investment operations in January 2006.

In January 2010, we acquired (i) 87.7% of the total dollar value of partnership interests in MSC II in exchange for shares of our common stock and (ii) 100% of the membership interest in MSC II's general partner for no consideration (the "Exchange Offer Transactions"). MSC II's general partner owns 0.4% of the total dollar value of the partnership interests in MSC II as its general partner. Subsequent to the Exchange Offer Transactions, we acquired an additional 0.5% of the total dollar value of partnership interests in MSC II in exchange for shares of the Company's common stock based on the same formula used in the Exchange Offer Transactions.

In February 2012, we acquired an additional 8.5% of the total dollar value of partnership interests of MSC II in exchange for shares of our common stock, including an aggregate of 4.9% from (i) six of our executive officers, Messrs. Foster, Reppert, Hyzak, Hartman, Magdol and Stout and entities controlled by them, and (ii) two of our directors, Messrs. Canon and French, in accordance with the terms and conditions of an exemptive relief order the Company received from the SEC for such transaction (such purchases from our executive officers and directors and entities controlled by them, collectively, the "Affiliate Purchases"). In accordance with the SEC exemptive relief order, and as approved by our Board of Directors, our officers and directors and entities controlled by them received an aggregate 98,632 shares of our common stock with an approximate value of \$2.3 million on the date of the transaction in exchange for their partnership interests in MSC II, including (i) Mr. Foster who received 62,010 shares of our common stock with an approximate value of \$1.4 million, (ii) Mr. Reppert and an entity controlled by him who received an aggregate 10,878 shares of our common stock with an approximate value of \$0.3 million, and (iii) Mr. Canon who received 9,064 shares of our common stock with an approximate value of \$0.2 million. Messrs. Hyzak, Hartman, Magdol, Stout and French, or entities controlled by them, each received shares of our common stock valued at less than \$120,000 in the Affiliate Purchases. In March 2012, we acquired an additional 3.0% of the total dollar value of partnership interests of MSC II from limited partners not affiliated with us in exchange for shares of our common stock. Including the limited partnership interests acquired in February and March of 2012, we own 100% of the total dollar value of partnership interests in MSC II, including through our 100% ownership of the membership interest in MSC II's general partner.

In addition, during the year ended December 31, 2011, one of our wholly owned subsidiaries, Main Street Capital Partners, LLC, received \$2.5 million from MSC II for providing investment advisory services to MSC II.

Our executive officers and employees, in their capacities as personnel of the Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders. In May 2012, the Investment Manager executed an investment sub-advisory agreement with HMS Adviser, LP, the investment advisor to HMS Income Fund, Inc., a newly-formed BDC whose registration statement on Form N-2 was declared effective by the SEC on June 4, 2012, to provide certain investment advisory services to HMS Adviser, LP. The

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Investment Manager may determine that an investment is appropriate for us and for one or more of its managed funds, such as HMS Income Fund, Inc. In such event, depending on the availability of such investment and other appropriate factors, the Investment Manager may determine that we should co-invest with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with our allocation procedures.

On March 24, 2011, we completed an underwritten public offering of 4,025,000 shares of our common stock at a price of \$18.35 per share. The underwriters of this offering were Morgan Keegan & Company, Inc., BB&T Capital Markets, a division of Scott & Stringfellow, LLC, Robert W. Baird & Co. Incorporated, Janney Montgomery Scott LLC and Sanders Morris Harris Inc. Don A. Sanders, who beneficially owned approximately 5% of our common stock at the time of the offering, was the Vice Chairman of Sanders Morris Harris Inc., now known as The Edelman Financial Group Inc. In connection with the offering, Sanders Morris Harris Inc. received underwriting fees of approximately \$330,000.

Table of Contents**CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

The following table sets forth information with respect to the beneficial ownership of our common stock by:

each person known to us to beneficially own more than five percent of the outstanding shares of our common stock;

each of our directors and executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no common stock subject to options that are currently exercisable or exercisable within 60 days of August 14, 2012. Percentage of beneficial ownership is based on 31,558,273 shares of common stock outstanding as of August 14, 2012.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, and maintains an address c/o Main Street Capital Corporation. Our address is 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

Name	Shares Owned Beneficially	
	Number	Percentage
<b>Independent Directors:</b>		
Michael Appling Jr.	54,617	*
Joseph E. Canon	38,710	*
Arthur L. French	30,071(1)	*
J. Kevin Griffin	4,902	*
<b>Interested Directors:</b>		
Vincent D. Foster	1,334,526(2)	4.23%
Todd A. Reppert	731,726(3)	2.32%
<b>Executive Officers:</b>		
Dwayne L. Hyzak	293,195	*
Curtis L. Hartman	229,448(4)	*
David L. Magdol	297,598	*
Rodger A. Stout	123,393	*
Jason B. Beauvais	35,855	*
Michael S. Galvan	15,398	*
All Directors and Executive Officers as a Group (12 persons)	3,189,439	10.11%

\*

Less than 1%

(1)

Includes 21,071 shares of common stock held by Flying F, LLC which are beneficially owned by Mr. French.

(2)

Includes 10,343 shares of common stock held by Foster Irrevocable Trust for the benefit of Mr. Foster's children. Although Mr. Foster is not the trustee, and accordingly does not have voting power or dispositive power over these shares, he may from time to time direct the trustee to vote and dispose of these shares. Also includes 3,000 shares and 2,935 shares held in custodial accounts for Mr. Foster's daughters, Amy Foster and Brittany Foster, respectively.

(3)

Includes 173,878 shares of common stock held by Reppert Investments Limited Partnership which are beneficially owned by Mr. Reppert.



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- (4) Includes 138,947 shares of common stock held in margin accounts or otherwise pledged.

The following table sets forth, as of August 14, 2012, the dollar range of our equity securities that is beneficially owned by each of our directors.

	<b>Dollar Range of Equity Securities Beneficially Owned(1)(2)(3)</b>
<b>Interested Directors:</b>	
Vincent D. Foster	over \$100,000
Todd A. Reppert	over \$100,000
<b>Independent Directors:</b>	
Michael Appling Jr.	over \$100,000
Joseph E. Canon	over \$100,000
Arthur L. French	over \$100,000
J. Kevin Griffin	over \$100,000

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- (1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.
- (2) The dollar range of equity securities beneficially owned by our directors is based on a stock price of \$27.26 per share as of August 14, 2012.
- (3) The dollar range of equity securities beneficially owned are: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, or over \$100,000.



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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

On June 14, 2012, our stockholders voted to allow us to issue common stock below the net asset value (NAV) per share of our common stock for the period ending on the earlier of (i) June 14, 2013, the one year anniversary of our 2012 annual meeting of stockholders, and (ii) the date of our 2013 annual meeting of stockholders. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In order to sell shares pursuant to this authorization:

a majority of our independent directors who have no financial interest in the sale must have approved the sale; and

a majority of such directors, who are not interested persons of Main Street, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, must have determined in good faith, and as of a time immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of those shares, less any underwriting commission or discount.

We are also permitted to sell shares of common stock below NAV per share in rights offerings. Any offering of common stock below NAV per share will be designed to raise capital for investment in accordance with our investment objectives and business strategies.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors would consider a variety of factors including:

The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;

The relationship of recent market prices of our common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

Whether the proposed offering price would closely approximate the market value of our shares;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

The anticipated rate of return on and quality, type and availability of investments to be funded with the proceeds from the offering, if any; and

The leverage available to us, both before and after any offering, and the terms thereof.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

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The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different sets of investors:

existing stockholders who do not purchase any shares in the offering;

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existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

**Impact on Existing Stockholders who do not Participate in the Offering**

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in four different hypothetical offerings of different sizes and levels of discount from NAV per share. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 1,000,000 common shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The current NAV and NAV per share are thus \$10,000,000 and \$10.00. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 50,000 shares (5% of the outstanding shares) at \$9.50 per share after offering expenses and commissions (a 5% discount from NAV), (2) an offering of 100,000 shares (10% of the outstanding shares) at \$9.00 per share after offering expenses and commissions (a 10% discount from NAV), (3) an offering of 250,000 shares (25% of the outstanding shares) at \$8.00 per share after offering expenses and commissions (a 20% discount from NAV) and (4) an offering of 250,000 shares (25% of the outstanding shares) at \$0.01 per share after offering expenses and commissions (a 100% discount from NAV). The prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares in such offering and the actual discount to the most recently determined NAV.

		Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 20% Discount		Example 4 25% Offering at 100% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
<b>Offering Price</b>									
Price per Share to Public(1)		\$ 10.00		\$ 9.47		\$ 8.42		\$ 0.01	
Net Proceeds per Share to Issuer		\$ 9.50		\$ 9.00		\$ 8.00		\$ 0.01	
<b>Increase in Shares and Decrease to NAV</b>									
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%	1,250,000	25.00%
NAV per Share	\$ 10.00	\$ 9.98	(0.20)%	\$ 9.91	(0.90)%	\$ 9.60	(4.00)%	\$ 8.00	(20.00)%
<b>Dilution to Nonparticipating Stockholder A Share Dilution</b>									
Shares Held by Stockholder A	10,000	10,000		10,000		10,000		10,000	

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	Example 1 5% Offering at 5% Discount			Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 20% Discount		Example 4 25% Offering at 100% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Percentage Outstanding Held by Stockholder A	1.00%	0.95%	(4.76)%	0.91%	(9.09)%	0.80%	(20.00)%	0.80%	(20.00)%
<b>NAV Dilution</b>									
Total NAV Held by Stockholder A	\$ 100,000	\$ 99,800	(0.20)%	\$ 99,100	(0.90)%	\$ 96,000	(4.00)%	\$ 80,000	(20.00)%
Total Investment by Stockholder A (Assumed to be \$10.00 per Share)	\$ 100,000	\$ 100,000		\$ 100,000		\$ 100,000		\$ 100,000	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		\$ (200)		\$ (900)		\$ (4,000)		\$ (20,000)	
<b>NAV Dilution per Share</b>									
NAV per Share Held by Stockholder A		\$ 9.98		\$ 9.91		\$ 9.60		\$ 8.00	
Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)	\$ 10.00	\$ 10.00		\$ 10.00		\$ 10.00		\$ 10.00	
NAV Dilution per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)		\$ (0.02)		\$ (0.09)		\$ (0.40)		\$ (2.00)	
Percentage NAV Dilution Experienced by Stockholder A (NAV Dilution per Share Divided by Investment per Share)			(0.20)%		(0.90)%		(4.00)%		(20.00)%

(1) Assumes 5% in selling compensation and expenses paid by us.

**Impact on Existing Stockholders who do Participate in the Offering**

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution to such stockholders will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than their proportionate percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares

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purchased by such stockholder increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and the level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 25% offering at a 20% discount from the prior chart (Example 3) for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,250 shares, which is 0.5% of an offering of 250,000 shares rather than its 1.0% proportionate share) and (2) 150% of such percentage (i.e., 3,750 shares, which is 1.5% of an offering of 250,000 shares rather than its 1.0% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	50% Participation		150% Participation	
		Following Sale	% Change	Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public(1)		\$ 8.42		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 8.00		\$ 8.00	
<b>Increase in Shares and Decrease to NAV</b>					
Total Shares Outstanding	1,000,000	1,250,000	25.00%	1,250,000	25.00%
NAV per Share	\$ 10.00	\$ 9.60	(4.00)%	\$ 9.60	(4.00)%
<b>Dilution/Accretion to Participating Stockholder A</b>					
<b>Share Dilution/Accretion</b>					
Shares Held by Stockholder A	10,000	11,250	12.50%	13,750	37.50%
Percentage Outstanding Held by Stockholder A	1.00%	0.90%	(10.00)%	1.10%	10.00%
<b>NAV Dilution/Accretion</b>					
Total NAV Held by Stockholder A	\$ 100,000	\$ 108,000	8.00%	\$ 132,000	32.00%
Total Investment by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)		\$ 110,525		\$ 131,575	
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)		\$ (2,525)		\$ 425	
<b>NAV Dilution/Accretion per Share</b>					
NAV per Share Held by Stockholder A		\$ 9.60		\$ 9.60	
Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)	\$ 10.00	\$ 9.82	(1.76)%	\$ 9.57	(4.31)%
NAV Dilution/Accretion per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)		\$ (0.22)		\$ 0.03	
Percentage NAV Dilution/Accretion Experienced by Stockholder A (NAV Dilution/Accretion per Share Divided by Investment per Share)			(2.28)%		0.32%

(1) Assumes 5% in selling compensation and expenses paid by us.

Table of Contents**Impact on New Investors**

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by us will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Example 1 below). On the other hand, investors who are not currently stockholders, but who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Examples 2, 3 and 4 below). These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1.00%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

		<b>Example 1</b>		<b>Example 2</b>		<b>Example 3</b>		<b>Example 4</b>		
		<b>5% Offering at</b>		<b>10% Offering at</b>		<b>25% Offering at</b>		<b>25% Offering at</b>		
		<b>5% Discount</b>		<b>10% Discount</b>		<b>20% Discount</b>		<b>100% Discount</b>		
	<b>Prior to</b>	<b>Following</b>	<b>%</b>	<b>Following</b>	<b>%</b>	<b>Following</b>	<b>%</b>	<b>Following</b>	<b>%</b>	
	<b>Sale Below</b>	<b>Sale</b>	<b>Change</b>	<b>Sale</b>	<b>Change</b>	<b>Sale</b>	<b>Change</b>	<b>Sale</b>	<b>Change</b>	
	<b>NAV</b>									
<b>Offering Price</b>										
Price per Share to Public(1)		\$ 10.00		\$ 9.47		\$ 8.42		\$ 0.01		
Net Proceeds per Share to Issuer		\$ 9.50		\$ 9.00		\$ 8.00		\$ 0.01		
<b>Increase in Shares and Decrease to NAV</b>										
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%	1,250,000	25.00%	
NAV per Share	\$ 10.00	\$ 9.98	(0.20)%	\$ 9.91	(0.90)%	\$ 9.60	(4.00)%	\$ 8.00	(20.00)%	
<b>Dilution/Accretion to New Investor A</b>										
<b>Share Dilution</b>										
Shares Held by Investor A		500		1,000		2,500		2,500		
Percentage Outstanding Held by Investor A	0.00%	0.05%		0.09%		0.20%		0.20%		
<b>NAV Dilution</b>										
Total NAV Held by Investor A		\$ 4,990		\$ 9,910		\$ 24,000		\$ 20,000		
Total Investment by Investor A (At Price to Public)		\$ 5,000		\$ 9,470		\$ 21,050		\$ 25		

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	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 20% Discount		Example 4 25% Offering at 100% Discount		
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)		\$ (10)		\$ 440		\$ 2,950		\$ 19,975	
<b>NAV Dilution per Share</b>									
NAV per Share Held by Investor A		\$ 9.98		\$ 9.91		\$ 9.60		\$ 8.00	
Investment per Share Held by Investor A		\$ 10.00		\$ 9.47		\$ 8.42		\$ 0.01	
NAV Dilution/Accretion per Share Experienced by Investor A (NAV per Share Less Investment per Share)		\$ (0.02)		\$ 0.44		\$ 1.18		\$ 7.99	
Percentage NAV Dilution/Accretion Experienced by Investor A (NAV Dilution/Accretion per Share Divided by Investment per Share)			(0.20)%		4.65%		14.01%		79900.00%

(1) Assumes 5% in selling compensation and expenses paid by us.

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**DIVIDEND REINVESTMENT PLAN**

We have adopted a dividend reinvestment plan that provides for the reinvestment of dividends on behalf of our stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our stockholders who have not "opted out" of our dividend reinvestment plan by the dividend record date will have their cash dividend automatically reinvested into additional shares of our common stock.

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

When the share price is generally trading above net asset value, we intend to primarily use newly issued shares to implement the plan. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan when our share price is generally trading below net asset value. The number of newly issued shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on the New York Stock Exchange on the dividend payment date. Shares purchased in open market transactions by the administrator of the dividend reinvestment plan will be allocated to a stockholder based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased with respect to the dividend. Market price per share on that date will be the closing price for such shares on the New York Stock Exchange or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

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

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

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

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



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*The following description is based on relevant portions of the Maryland General Corporation Law and on our articles of incorporation and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Maryland General Corporation Law and our articles of incorporation and bylaws for a more detailed description of the provisions summarized below.*

Under the terms of our articles of incorporation, our authorized capital stock consists of 150,000,000 shares of common stock, par value \$0.01 per share. Set forth below is a chart describing the classes of our common stock outstanding as of August 14, 2012:

(1)	(2)	(3)	(4)
Title of Class	Amount Authorized	Amount Held by us or for Our Account	Amount Outstanding Exclusive of Amount Under Column 3
Common Stock	150,000,000		31,558,273

Under our articles of incorporation, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the Maryland General Corporation Law, but subject to the 1940 Act, our articles of incorporation provide that the Board of Directors, without any action by our stockholders, may amend the articles of incorporation from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

All shares of our common stock have equal voting rights and rights to earnings, assets and distributions, except as described below. When shares are issued, upon payment therefor, they will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of assets legally available therefore. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its articles of incorporation a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our articles of incorporation contain such a provision that eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

Our articles of incorporation require us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or

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any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to a proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our bylaws also require that, to the maximum extent permitted by Maryland law, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its articles of incorporation provide otherwise, which our articles of incorporation do not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of his or her service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

In addition, we have entered into Indemnity Agreements with our directors and executive officers. The Indemnity Agreements generally provide that we will, to the extent specified in the agreements and to the fullest extent permitted by the 1940 Act and Maryland law as in effect on the day the agreement is executed, indemnify and advance expenses to each indemnitee that is, or is threatened to

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be made, a party to or a witness in any civil, criminal or administrative proceeding. We will indemnify the indemnitee against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred in connection with any such proceeding unless it is established that (i) the act or omission of the indemnitee was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the indemnitee actually received an improper personal benefit, or (iii) in the case of a criminal proceeding, the indemnitee had reasonable cause to believe his conduct was unlawful. Additionally, for so long as we are subject to the 1940 Act, no advancement of expenses will be made until (i) the indemnitee provides a security for his undertaking, (ii) we are insured against losses arising by reason of any lawful advances, or (iii) the majority of a quorum of our disinterested directors, or independent counsel in a written opinion, determine based on a review of readily available facts that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification. The Indemnity Agreements also provide that if the indemnification rights provided for therein are unavailable for any reason, we will pay, in the first instance, the entire amount incurred by the indemnitee in connection with any covered proceeding and waive and relinquish any right of contribution we may have against the indemnitee. The rights provided by the Indemnity Agreements are in addition to any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled under applicable law, our articles of incorporation, our bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment or repeal of the Indemnity Agreements will limit or restrict any right of the indemnitee in respect of any action taken or omitted by the indemnitee prior to such amendment or repeal. The Indemnity Agreements will terminate upon the later of (i) ten years after the date the indemnitee has ceased to serve as our director or officer, or (ii) one year after the final termination of any proceeding for which the indemnitee is granted rights of indemnification or advancement of expenses or which is brought by the indemnitee. The above description of the Indemnity Agreements is subject to, and is qualified in its entirety by reference to, all the provisions of the form of Indemnity Agreement.

We have obtained primary and excess insurance policies insuring our directors and officers against certain liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on our behalf, may also pay amounts for which we have granted indemnification to the directors or officers.

**Provisions of the Maryland General Corporation Law and Our Articles of Incorporation and Bylaws**

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

***Election of Directors***

Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our articles of incorporation and bylaws, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

***Number of Directors; Vacancies; Removal***

Our articles of incorporation provide that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless the bylaws

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are amended, the number of directors may never be less than one or more than twelve. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act. Our articles of incorporation provide that a director may be removed only for cause, as defined in the articles of incorporation, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

***Action by Stockholders***

Under the Maryland General Corporation Law, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the articles of incorporation provide for stockholder action by less than unanimous written consent, which our articles of incorporation do not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

***Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals***

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

***Calling of Special Meeting of Stockholders***

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special

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meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

***Approval of Extraordinary Corporate Action; Amendment of Articles of Incorporation and Bylaws***

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its articles of incorporation, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its articles of incorporation for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our articles of incorporation generally provide for approval of amendments to our articles of incorporation and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our articles of incorporation also provide that certain amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75.0% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75.0% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our articles of incorporation as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our articles of incorporation and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

***No Appraisal Rights***

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act, or Control Share Act, discussed below, as permitted by the Maryland General Corporation Law, our articles of incorporation provide that stockholders will not be entitled to exercise appraisal rights.

***Control Share Acquisitions***

The Control Share Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

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A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the articles of incorporation or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be otherwise amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Act only if the Board of Directors determines that it would be in our best interests and if the staff of the SEC does not object to our determination that our being subject to the Control Share Act does not conflict with the 1940 Act.

***Business Combinations***

Under the Maryland Business Combination Act, or the Business Combination Act, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10.0% or more of the voting power of the corporation's shares; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10.0% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

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After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our Board of Directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If these resolutions are repealed, or the Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

***Conflict with 1940 Act***

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, or any provision of our articles of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

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**DESCRIPTION OF OUR PREFERRED STOCK**

Our articles of incorporation authorize our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our articles of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our securities or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our securities and before any purchase of securities is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50.0% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. Further, the 1940 Act requires that any distributions we make on preferred stock be cumulative. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our Board of Directors will determine and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative power, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.



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All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our Board of Directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which cumulative dividends, if any, thereon will be cumulative.

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**DESCRIPTION OF OUR WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common or preferred stock or a specified principal amount of debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire;

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

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the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that

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are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our Board of Directors approves such issuance on the basis that the issuance is in our best interests and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed.

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**DESCRIPTION OF OUR SUBSCRIPTION RIGHTS**

We may issue subscription rights to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such subscription rights offering. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. Our common stockholders will indirectly bear the expenses of such subscription rights offerings, regardless of whether our common stockholders exercise any subscription rights.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

the title of such subscription rights;

the exercise price or a formula for the determination of the exercise price for such subscription rights;

the number or a formula for the determination of the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable;

if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;

the date on which the right to exercise such subscription rights would commence, and the date on which such rights shall expire (subject to any extension);

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;

if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and

any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

**Exercise of Subscription Rights**

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock or other securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby or another report filed with the SEC. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the applicable prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void. We have not previously completed such an offering of subscription rights.



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Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement, we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to stockholders, persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting or other arrangements, as set forth in the applicable prospectus supplement.

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**DESCRIPTION OF OUR DEBT SECURITIES**

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "Events of Default Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us with respect to the debt securities.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. A copy of the form of indenture is attached to the registration statement of which this prospectus is a part. We will file a supplemental indenture with the SEC in connection with any debt offering, at which time the supplemental indenture would be publicly available. See "Available Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;



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whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued (if other than \$1,000 and any integral multiple thereof);

the provision for any sinking fund;

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any restrictive covenants;

any Events of Default;

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

any special federal income tax implications, including, if applicable, federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

whether the debt securities are secured and the terms of any security interests;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

**General**

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ("offered debt securities") may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities". The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

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The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

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We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk protection or similar protection.

We have the abil