

Main Street Capital CORP  
Form 10-K  
February 27, 2015

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Item 8. Financial Statements and Supplementary Data](#)

[PART IV](#)

[Table of Contents](#)

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

**Form 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2014**

**OR**

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

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

**Main Street Capital Corporation**

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

**Maryland**

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

**41-2230745**

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

**77056**

*(Zip Code)*

**1300 Post Oak Boulevard, 8th floor  
Houston, TX**

*(Address of principal executive offices)*

**(713) 350-6000**

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

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

**Title of Each Class**

**Name of Each Exchange on Which Registered**

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Common Stock, par value \$0.01 per share  
6.125% Notes due 2023

New York Stock Exchange  
New York Stock Exchange

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

None

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2014, was approximately \$1,392.5 million based upon the last sale price for the registrant's common stock on that date.

The number of outstanding common shares of the registrant as of February 26, 2015 was 45,160,465.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrants' definitive Proxy Statement for its 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in this Annual Report on Form 10-K in response to Part III.

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Table of Contents**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	
<u>Item 1.</u> <u>Business</u>	<u>1</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>28</u>
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	<u>51</u>
<u>Item 2.</u> <u>Properties</u>	<u>51</u>
<u>Item 3.</u> <u>Legal Proceedings</u>	<u>51</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>51</u>
<b><u>PART II</u></b>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>52</u>
<u>Item 6.</u> <u>Selected Financial Data</u>	<u>58</u>
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>60</u>
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>88</u>
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	<u>89</u>
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>186</u>
<u>Item 9A.</u> <u>Controls and Procedures</u>	<u>186</u>
<u>Item 9B.</u> <u>Other Information</u>	<u>186</u>
<b><u>PART III</u></b>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	<u>187</u>
<u>Item 11.</u> <u>Executive Compensation</u>	<u>187</u>
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>187</u>
<u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>188</u>
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	<u>188</u>
<b><u>PART IV</u></b>	
<u>Item 15.</u> <u>Exhibits and Financial Statement Schedules</u>	<u>189</u>
<u>Signatures</u>	<u>192</u>

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Table of Contents

**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS**

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

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

**PART I**

**Item 1. Business**

**ORGANIZATION**

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

During January 2010, MSCC acquired (the "Exchange Offer") approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

MSC Adviser I, LLC (the "External Investment Manager" and, together with the Internal Investment Manager, the "Investment Managers") was formed in November 2013 as a wholly owned subsidiary of

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### Table of Contents

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

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

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

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

The following diagram depicts Main Street's organizational structure:

- 
- \*  
Each of the Taxable Subsidiaries is directly or indirectly wholly owned by MSCC.
- \*\*  
Accounted for as a portfolio investment at fair value, as opposed to a consolidated subsidiary.

### **CORPORATE INFORMATION**

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

Table of Contents

**OVERVIEW OF OUR BUSINESS**

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

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

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

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

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

Table of Contents

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

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

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

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

Table of Contents

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

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

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

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

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

Because we are internally managed, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Internal Investment Manager. We believe that our internally managed structure



Table of Contents

provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% compared to 1.7% for the year ended December 31, 2013 (with the 2013 ratio excluding interest expense and excluding the effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice-Chairman, which resulted in additional share-based compensation expense of \$1.3 million during 2013). Including the effect of the accelerated vesting of restricted stock, the ratio for the year ended December 31, 2013 was 1.8%.

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

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

**RECENT DEVELOPMENTS**

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

In January 2015, we participated in a new portfolio investment totaling \$24.0 million of invested capital in Berry Aviation, Inc. ("Berry"), with our portion of the funding being \$6.4 million, and including \$6.0 million of secured subordinated term debt and a \$0.4 million equity investment for a minority equity ownership position in Berry. We partnered with our co-investors to facilitate a minority recapitalization of Berry and to support its growth initiatives. Headquartered in San Marcos, Texas, Berry is a full service

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

aviation business that provides air carrier and concierge services to both private sector and public clients, including the United States Department of Defense ("U.S. DOD") and other governmental agencies.

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

### **BUSINESS STRATEGIES**

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

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

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

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

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

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

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



Table of Contents

through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments. We also maintain an investment grade rating from Standard & Poor's Ratings Services which provides us the opportunity and flexibility to obtain additional, attractive long-term financing options to supplement our capital structure.

**INVESTMENT CRITERIA**

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

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

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

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

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

**INVESTMENT PORTFOLIO**

The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager. For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see further discussion above) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Private Loan portfolio investments primarily consist of

Table of Contents

investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market and Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

***Debt Investments***

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

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

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

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

We also pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date. The debt investments in our Middle Market portfolio have rights and protections that are similar to those in our LMM debt investments, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions, guarantees and equity

Table of Contents

pledges. The Middle Market debt investments generally have floating interest rates at LIBOR plus a margin, and are typically subject to LIBOR floors. As of December 31, 2014, substantially all of our Middle Market portfolio investments were in the form of debt investments, with approximately 97% of these debt investments at cost secured by portfolio company assets and approximately 85% of such debt investments at cost secured by first priority liens.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien and typically have a term of between three and seven years from the original investment date. As of December 31, 2014, approximately 96% of our Private Loan portfolio investments were in the form of debt investments and approximately 88% of such debt investments at cost were secured by first priority liens on portfolio company assets.

***Warrants***

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

***Direct Equity Investments***

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

**INVESTMENT PROCESS**

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

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

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

Table of Contents

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

***Deal Generation/Origination***

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

***Screening***

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

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

a brief industry and market analysis;

direct industry expertise imported from other portfolio companies or investors;

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

potential investment structures and pricing terms; and

regulatory compliance.

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

***Term Sheet***

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

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

***Due Diligence***

Due diligence on a proposed LMM investment is performed by a minimum of two of our investment professionals, whom we refer to collectively as the investment team, and certain external resources, who together conduct due diligence to understand the relationships among the prospective portfolio company's





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### Table of Contents

business plan, operations and financial performance. Our LMM due diligence review includes some or all of the following:

- site visits with management and key personnel;
- detailed review of historical and projected financial statements;
- operational reviews and analysis;
- interviews with customers and suppliers;
- detailed evaluation of company management, including background checks;
- review of material contracts;
- in-depth industry, market and strategy analysis;
- regulatory compliance analysis; and
- review by legal, environmental or other consultants, if applicable.

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

- detailed review of historical and projected financial statements;
- in-depth industry, market, operational and strategy analysis;
- regulatory compliance analysis; and
- detailed review of the company's management team and their capabilities.

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

### ***Document and Close***

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:

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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;

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections;

regulatory compliance analysis findings; and

detailed reconciliations of historical to pro forma results.

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

company history and overview;

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

analysis of key customers and suppliers;

an analysis of the company's business strategy;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

regulatory compliance analysis findings; and

an analysis of historical financial results and key financial ratios.

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

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

We continuously monitor the status and progress of the portfolio companies. We generally offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same investment team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process of LMM portfolio investments, the investment team will analyze monthly

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and quarterly financial statements versus the previous periods and year, review financial projections, meet and discuss issues or opportunities with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our LMM portfolio companies, we maintain a higher level of involvement in non-ordinary course financing or strategic activities and any non-performing scenarios. We also monitor the performance of our Middle Market portfolio investments; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to our LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

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

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

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

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

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

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

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

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

All new LMM portfolio investments receive an initial 3 rating.

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

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

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

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

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

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



Table of Contents

**DETERMINATION OF NET ASSET VALUE AND INVESTMENT PORTFOLIO VALUATION PROCESS**

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

We are required to report our investments at fair value. As a result, the most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2014 and 2013, our Investment Portfolio valued at fair value represented approximately 92% and 95% of our total assets, respectively. We follow the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact.

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

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

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

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### Table of Contents

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

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

Under the Waterfall valuation method, we estimate the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then perform a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, we analyze various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in our determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, we allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, we assume the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which we believe is consistent with our past transaction history and standard industry practices.

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

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of the investment predominately based on the NAV of the



Table of Contents

investment fund as of the measurement date. However, in determining the fair value of the investment, we may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of our investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of our interests in the investment fund.

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

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

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

For valuation purposes, all of our Other Portfolio investments are non-control investments. Our Other Portfolio investments comprised approximately 3.8% and 3.3%, respectively, of our Investment Portfolio at fair value as of December 31, 2014 and 2013. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we generally determine the fair value of our investments using the NAV valuation method. For Other Portfolio debt investments, we generally determine the fair value of these investments through obtaining third party quotes or other independent pricing to the extent that these inputs are available and appropriate to

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

determine fair value. For Other Portfolio debt investments for which we have determined that third party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method.

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

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

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

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

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

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

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

The Audit Committee of our Board of Directors reviews management's valuations, and the investment team and senior management consider and assess, as appropriate, any changes that may be required to management's valuations to address any comments provided by the Audit Committee; and

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

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

Table of Contents

**COMPETITION**

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

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

**EMPLOYEES**

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

**REGULATION**

*Regulation as a Business Development Company*

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

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

*Qualifying Assets*

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

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

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### Table of Contents

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

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

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

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

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

### *Managerial Assistance to Portfolio Companies*

As noted above, a BDC must be operated for the purpose of making investments in the type of securities described in (1), (2) or (3) above under the heading entitled "Qualifying Assets." In addition, BDCs must generally offer to make available to such issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

### *Temporary Investments*

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

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### *Senior Securities*

We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% of all

Table of Contents

debt and/or senior stock immediately after each such issuance. In addition, while any senior securities remain outstanding (other than senior securities representing indebtedness issued in consideration of a privately arranged loan which is not intended to be publicly distributed), we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business and Structure," including, without limitation, " Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us."

We have previously received an exemptive order from the SEC to exclude debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to Main Street. The exemptive order provides for the exclusion of all debt securities issued by the Funds, including the \$225.0 million of currently outstanding debt, related to their participation in the SBIC program. This exemptive order provides us with expanded capacity and flexibility in obtaining future sources of capital for our investment and operational objectives.

*Common Stock*

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2014 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock, and we do not currently expect to seek such approval at our 2015 annual meeting of stockholders for the same reason. Our stockholders have previously approved a proposal that authorizes us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. See "Risk Factors Risks Relating to Our Business and Structure Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock."

*Code of Ethics*

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

*Proxy Voting Policies and Procedures*

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

Table of Contents

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

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

Stockholders may obtain information, without charge, regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 1300 Post Oak Boulevard, 8th floor, Houston, Texas 77056.

*Other 1940 Act Regulations*

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

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

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

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

*Small Business Investment Company Regulations*

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

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

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

Table of Contents

on the primary industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the portfolio company at the time of the follow on investment, up to the time of the portfolio company's initial public offering.

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

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

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of equity of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately-raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest, do not require any principal payments prior to maturity, and are not subject to prepayment penalties. As of December 31, 2014, we, through the Funds, had \$225.0 million of outstanding SBA-guaranteed debentures, which had an annual weighted average interest rate of approximately 4.2%.

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

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

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

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

We are subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), including the filing of quarterly, annual and current reports, proxy statements and other



Table of Contents

required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

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

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

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

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

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

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

***Investment Adviser Regulations***

The External Investment Manager, which is wholly owned by us, is subject to regulation under the Advisers Act. The Advisers Act establishes, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on transactions between the adviser's account and an advisory client's account, limitations on transactions between the accounts of advisory clients, and general anti-fraud prohibitions. The External Investment Manager will be examined by the SEC from time to time for compliance with the Advisers Act.

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

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

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

We will be subject to a 4% nondeductible federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax

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### Table of Contents

Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year as such dividends may include the distribution of current year taxable income, exclude amounts carried over into the following year, and include the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay the 4% excise tax based on 98% of our annual taxable income and 98.2% of our capital gain net income in excess of distributions for the year.

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

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

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

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

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

no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain "qualified publicly traded partnerships" (collectively, the "Diversification Tests").

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

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

Table of Contents

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

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

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as (i) ordinary income (including any qualified dividend income that, in the case of a noncorporate stockholder, may be eligible for the same reduced maximum tax rate applicable to long-term capital gains to the extent such distribution is properly reported by us as qualified dividend income and such stockholder satisfies certain minimum holding period requirements with respect to our stock) or (ii) long-term capital gain (to the extent such distribution is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for 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.

***Failure to Qualify as a RIC***

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

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. If we were subject to tax on all

Table of Contents

of our taxable income at regular corporate rates, then distributions we make after being subject to such tax would be taxable to our stockholders and, provided certain holding period and other requirements were met, could qualify for treatment as "qualified dividend income" eligible for the maximum 20% rate (plus a 3.8% Medicare surtax, if applicable) applicable to qualified dividends to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

Table of Contents

**Item 1A. Risk Factors**

*Investing in our securities involves a number of significant risks. In addition to the other information contained in this Annual Report on Form 10-K, you should consider carefully the following information before making an investment in our 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, the trading price of our common stock and the value of our other securities could decline, and you may lose all or part of your investment.*

**RISKS RELATING TO ECONOMIC CONDITIONS**

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

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

Although we have been able to secure access to additional liquidity, including through the Credit Facility, periodic follow-on equity offerings, public debt issuances and the leverage available through the SBIC program, the potential for volatility in the debt and equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all. Further, if the price of our common stock falls below our net asset value per share, we will be limited in our ability to sell new shares if we do not have stockholder authorization to sell shares at a price below net asset value per share. We do not currently have such stockholder authorization, and we do not intend to seek such stockholder authorization at our 2015 stockholder meeting.

**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 and our valuation procedures. Typically, there is not a public market for the securities of the privately held LMM companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent financial advisory services firm (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors. In addition, the market for investments in Middle Market companies is generally not a liquid market, and therefore, we 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 Investment Portfolio Valuation Process" for a more detailed description of our valuation process.

Table of Contents

The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by our Board of Directors. Certain factors that may be considered in determining the fair value of our investments include external events, such as private mergers, sales and acquisitions involving comparable companies. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize on one or more of our investments. As a result, investors purchasing our securities based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling our securities during a period in which the net asset value understates the value of our investments may receive a lower price for their securities than the value of our investments might warrant.

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

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

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

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

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

We compete for investments with other investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. 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

Table of Contents

market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

We depend on the members of our investment team, particularly Vincent D. Foster, Dwayne L. Hyzak, Curtis L. Hartman, David L. Magdol, Travis L. Haley, Nicholas T. Meserve, 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, through the External Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders. During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income Fund, Inc. ("HMS Income"), a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income

Table of Contents

requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. We and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither we nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager has waived the base management or incentive fees after December 31, 2013 and, as a result, began accruing such fees on January 1, 2014. The sub-advisory relationship requires us to commit resources to achieving HMS Income's investment objective, while such resources were previously solely devoted to achieving our investment objective. Our investment objective and investment strategies are very similar to those of HMS Income and it is likely that an investment appropriate for us or HMS Income would be appropriate for the other entity. As a result, we and HMS Income requested an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where our co-investing would otherwise be prohibited under the 1940 Act. The SEC granted the exemptive order in April 2014, and we have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income. As a consequence, it may be more difficult for us to maintain or increase the size of our Investment Portfolio in the future. Although we will endeavor to allocate investment opportunities in a fair and equitable manner, including in accordance with the conditions set forth in the exemptive order issued by the SEC when relying on such order, we may face conflicts in allocating investment opportunities between us and HMS Income. We have implemented an allocation policy to ensure the equitable distribution of investment opportunities and, as a result, may be unable to participate in certain investments based upon such allocation policy.

***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.



Table of Contents

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

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

*Additional Common Stock.* We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our Board of Directors determines that such sale is in the best interests of our stockholders, and our stockholders approve such sale. See " Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion of the risks related to us issuing shares of our common stock below net asset value. Our stockholders have authorized us to issue warrants, options or rights to subscribe for, convert to, or purchase shares of our common stock at a price per share below the net asset value per share, subject to the applicable requirements of the 1940 Act. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

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

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

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

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

Borrowings, also known as leverage, magnify the potential for loss on investments in our indebtedness and gain or loss on investments in our equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See "Management's

Table of Contents

Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our outstanding indebtedness. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any decrease in our income would cause net investment income to decline more sharply than it would have had we not leveraged our business. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Use of leverage is generally considered a speculative investment technique.

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

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

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

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

Table of Contents

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

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

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

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

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

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

***All of our assets are subject to security interests under our secured Credit Facility or subject to a superior claim over our stockholders by the SBA and if we default on our obligations under the Credit Facility or with respect to our SBA-guaranteed debentures, we may suffer adverse consequences, including foreclosure on our assets.***

Substantially all of our assets are currently pledged as collateral under our Credit Facility or are subject to a superior claim over our stockholders by the SBA. If we default on our obligations under the Credit Facility or our SBA-guaranteed debentures, the lenders and/or the SBA may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated. As a result, we could be forced to curtail or cease new investment activities and lower or eliminate the dividends that we have historically paid to our stockholders. In addition, if the lenders exercise their right to sell the assets pledged under our Credit Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Credit Facility.

***Previously proposed legislation may allow us to incur additional leverage.***

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Legislation introduced in the U.S. House of Representatives during the 113<sup>th</sup> Congress proposed to modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%. In addition, legislation introduced in the U.S. Senate during the 113<sup>th</sup> Congress proposed to modify SBA regulations in a manner that may permit us to issue additional SBIC debentures above the current regulatory maximum amount of \$225.0 million. If such legislation is reintroduced and passed, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in our securities may increase.

Table of Contents

***Further downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.***

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***It is unclear how increased regulatory oversight and changes in the method for determining LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.***

As a result of concerns about the accuracy of the calculation of LIBOR, a number of British Bankers' Association, or BBA, member banks entered into settlements with certain regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR, and there are ongoing investigations by regulators and governmental authorities in various jurisdictions. Following a review of LIBOR conducted at the request of the U.K. government, on September 28, 2012, recommendations for reforming the setting and governing of LIBOR were released, which are referred to as the Wheatley Review. The Wheatley Review made a number of recommendations for changes with respect to LIBOR, including the introduction of S-5 statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the BBA to an independent administrator, changes to the method of the compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting and a reduction in the number of currencies and tenors for which LIBOR is published. Based on the Wheatley Review and on a subsequent public and governmental consultation process, on March 25, 2013, the U.K. Financial Services Authority published final rules for the U.K. Financial Conduct Authority's regulation and supervision of LIBOR, which are referred to as the FCA Rules. In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. The FCA Rules took effect on April 2, 2013, and on July 9, 2013, NYSE Euronext was chosen to serve as the independent LIBOR administrator commencing in 2014. It is uncertain what additional regulatory changes or what changes, if any, in the method of determining LIBOR may be required or made by the U.K. government or other governmental or regulatory authorities. Accordingly, uncertainty as to the nature of such changes may adversely affect the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

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

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of portfolio dividend and fee income, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree

Table of Contents

to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

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

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

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

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

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see "Business Regulation Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. In addition, because we receive non-cash sources of income such as PIK interest which involves us recognizing income without receiving the cash representing such income, we may have difficulty meeting the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

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

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

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

Table of Contents

***We may not be able to pay distributions to our stockholders, our distributions may not grow over time, and a portion of distributions paid to our stockholders may be a return of capital, which is a distribution of the stockholders' invested capital.***

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

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

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

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument, if we invest in a debt investment at a discount to the par value of the debt security or possibly in other circumstances; (ii) contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term, subject to adequate profitability at the portfolio company; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the year ended December 31, 2014, (i) approximately 3.3% of our total investment income was attributable to PIK income not paid currently in cash, (ii) approximately 1.8% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 1.3% of our total investment income was attributable to cumulative dividend income not paid currently in cash, and (iv) approximately 1.3% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

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

Table of Contents

the tax implications of a RIC, please see "Business Regulation Taxation as a Regulated Investment Company."

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

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

***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.

Table of Contents

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

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

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock at a price below the then current net asset value per share at our 2014 annual meeting of stockholders. As such, we do not currently have such stockholder authorization, and we do not currently intend to seek the stockholder authorization to issue our common stock at a price below net asset value per share at our 2015 annual meeting of stockholders because our common stock price per share has been trading significantly above the current net asset value per share of our common stock. We may, however, seek such authorization at future annual or special meetings of stockholders. Our stockholders have previously 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.

*Illustration: Example of Dilutive Effect of the Issuance of Shares Below Net Asset Value.* Assume that Company XYZ has 1,000,000 total shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The net asset value per share of the common stock of Company XYZ is \$10.00. The following table illustrates the reduction to net asset value, or NAV, and the dilution experienced by Stockholder A following the sale of 40,000 shares of the common stock of Company XYZ at \$9.50 per share, a price below its NAV per share.



Table of Contents

	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.

***We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.***

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunications outages;

Table of Contents

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber attacks.

**RISKS RELATED TO OUR INVESTMENTS**

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

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

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

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

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

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

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

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

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

A prolonged continuation of the current decline in oil and natural gas prices would adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses. A decrease in credit quality and the operating performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' abilities to

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satisfy financial or operating covenants imposed by us or other lenders will be adversely affected, thereby negatively impacting their financial condition and their ability to satisfy their

Table of Contents

debt service and other obligations to us. Likewise, should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' cash flow and profit generating capacities would also be adversely affected thereby negatively impacting their ability to pay us dividends or distributions on our equity investments.

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

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

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

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

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

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

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

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is

Table of Contents

re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

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

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

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.

Table of Contents

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

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

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

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

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

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to affected loans or a potential impairment of the value of affected equity investments. This could result in realized losses in the future and ultimately in reductions of our income and gains available for distribution in future periods.

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

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

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

Some of our debt investments will bear interest at variable rates and the interest income from these investments could be negatively affected by decreases in market interest rates. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Also, an increase in interest rates available to investors could make an investment in our securities less attractive than alternative investments, a situation which could reduce the value of our securities. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will

Table of Contents

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

***Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.***

Our investments in foreign securities may involve significant risks in addition to the risks inherent in investments in U.S. securities. Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in securities of U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Table of Contents

Although most of our investments will be U.S. dollar denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

**RISKS RELATING TO OUR SECURITIES**

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

Shares of closed-end investment companies, including BDCs, may trade at a discount to net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below 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. 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 related to us issuing shares of our common stock below net asset value.

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

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

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

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

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



## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

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

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

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

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

the exclusion of our common stock from certain market indices, such as what happened with respect to the Russell indices and the Standard and Poor's indices, could reduce the ability of certain investment funds to own our common stock and limit the number of owners of our common stock and otherwise negatively impact the market price of our common stock;

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.***

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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.

***The Notes are unsecured and therefore effectively subordinated to any current or future secured indebtedness, including indebtedness under the Credit Facility.***

The Notes are not secured by any of our assets or any of the assets of our subsidiaries and rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured

Table of Contents

indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of December 31, 2014, we had \$218.0 million outstanding under the Credit Facility out of \$572.5 million in commitments. The indebtedness under the Credit Facility is senior to the Notes to the extent of the value of the assets securing such indebtedness.

***The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.***

The Notes are obligations exclusively of Main Street Capital Corporation and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes, and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. In addition, several of our subsidiaries, specifically the Funds, maintain significant indebtedness and as a result the Notes are structurally subordinated to the indebtedness of these subsidiaries. For example, as of December 31, 2014, the Funds had collectively issued the current statutory maximum of \$225.0 million of SBA-guaranteed debentures, which are included in our consolidated financial statements. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for more detail on the SBA-guaranteed debentures.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of other creditors of our subsidiaries have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness, including the SBA-guaranteed debentures, and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

***The Notes may or may not have an established trading market. If a trading market in the Notes is developed, it may not be maintained.***

The Notes may or may not have an established trading market. If a trading market in the Notes is developed, it may not be maintained. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, our financial condition or other relevant factors. Accordingly, we cannot assure you that a liquid trading market has been or will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop or is not maintained, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

***A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes, if any, or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly.***

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. We undertake no obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. The 4.50% Notes are currently rated by Standard & Poor's Ratings Services. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn

Table of Contents

entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

***The indentures under which the Notes were issued contain limited protection for holders of the Notes.***

The indentures under which the Notes were issued offer limited protection to holders of the Notes. The terms of the indentures and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on investments in the Notes. In particular, the terms of the indentures and the Notes do not place any restrictions on our or our subsidiaries' ability to:

issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect, in each case, to any exemptive relief granted to us by the SEC (currently, this provision generally prohibits us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings);

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the indentures and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Other debt we issue or incur in the future could contain more protections for its holders than the indentures and the Notes, including additional covenants and events of default. For example, the indentures under which the Notes are issued do not contain cross-default provisions that are contained in the Credit Facility. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

Table of Contents

***The optional redemption provision may materially adversely affect your return on the Notes.***

The 4.50% Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option. The 6.125% Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option, on or after April 1, 2018. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

***We may not be able to repurchase the 4.50% Notes upon a Change of Control Repurchase Event.***

We may not be able to repurchase the 4.50% Notes upon certain change in control events described in the indenture under which the 4.50% Notes were issued (each, a "Change of Control Repurchase Event") because we may not have sufficient funds. Upon a Change of Control Repurchase Event, holders of the 4.50% Notes may require us to repurchase for cash some or all of the 4.50% Notes at a repurchase price equal to 100% of the aggregate principal amount of the 4.50% Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. The terms of our Credit Facility provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility. In addition, the occurrence of a Change of Control Repurchase Event enabling the holders of the 4.50% Notes to require the mandatory purchase of the 4.50% Notes would constitute an event of default under our Credit Facility entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility. Our and our subsidiaries' future financing facilities may contain similar restrictions and provisions. Our failure to purchase such tendered 4.50% Notes upon the occurrence of such Change of Control Repurchase Event would cause an event of default under the indenture governing the 4.50% Notes and a cross-default under the agreements governing certain of our other indebtedness, which may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If a Change of Control Repurchase Event were to occur, we may not have sufficient funds to repay any such accelerated indebtedness.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.***

As of December 31, 2014, we had approximately \$708.8 million of indebtedness, including \$218.0 million outstanding under the Credit Facility, \$225.0 million outstanding from SBA-guaranteed debentures, approximately \$90.8 million of the 6.125% Notes and \$175.0 million of the 4.50% Notes outstanding. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, under the Notes or under other indebtedness to which we may be a party that is not waived by the required lenders or debt holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount

Table of Contents

sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs.

If our operating performance declines and we are not able to generate sufficient cash flow to service our debt obligations, we may in the future need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the required lenders under the Credit Facility or the required holders of the Notes or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt. If we breach our covenants under the Credit Facility, the Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or debt holders. If this occurs, we would be in default under the Credit Facility, the Notes or other debt, the lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Credit Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

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

None.

**Item 2. *Properties***

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

**Item 3. *Legal Proceedings***

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

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

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****PRICE RANGE OF COMMON STOCK, HOLDERS AND DISTRIBUTIONS**

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

The following table sets forth, for each fiscal quarter during 2014 and 2013, the range of high and low closing prices of our common stock as reported on the NYSE.

	High	Low
Fiscal year 2014		
Fourth quarter	\$ 32.68	\$ 27.48
Third quarter	\$ 32.87	\$ 30.38
Second quarter	\$ 33.54	\$ 29.55
First quarter	\$ 35.69	\$ 32.23
Fiscal year 2013		
Fourth quarter	\$ 33.13	\$ 29.70
Third quarter	\$ 31.08	\$ 27.41
Second quarter	\$ 32.13	\$ 26.43
First quarter	\$ 34.38	\$ 30.44

On February 26, 2015 the last sale price of our common stock on the NYSE was \$30.69 per share, and there were approximately 200 holders of record of the common stock which did not include stockholders for whom shares are held in "nominee" or "street name."

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

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

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Table of Contents

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

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

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



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November 6, 2012	January 18, 2013	February 15, 2013	\$	0.150(3)
November 6, 2012	January 4, 2013	January 23, 2013	\$	0.350(3)
November 6, 2012	December 20, 2012	January 15, 2013	\$	0.150(4)
<b>Total</b>			\$	<b>2.660</b>

**Fiscal year 2012**

July 31, 2012	November 21, 2012	December 14, 2012	\$	0.150(4)
July 31, 2012	October 19, 2012	November 15, 2012	\$	0.150(4)
July 31, 2012	September 20, 2012	October 15, 2012	\$	0.150(4)
May 1, 2012	August 21, 2012	September 14, 2012	\$	0.145(4)
May 1, 2012	July 20, 2012	August 15, 2012	\$	0.145(4)
May 1, 2012	June 21, 2012	July 16, 2012	\$	0.145(4)
March 6, 2012	May 21, 2012	June 15, 2012	\$	0.140(4)
March 6, 2012	April 20, 2012	May 15, 2012	\$	0.140(4)
March 6, 2012	March 21, 2012	April 16, 2012	\$	0.140(4)
December 8, 2011	February 22, 2012	March 15, 2012	\$	0.135(4)
December 8, 2011	January 18, 2012	February 15, 2012	\$	0.135(4)
December 8, 2011	December 21, 2011	January 16, 2012	\$	0.135(5)
<b>Total</b>			\$	<b>1.710</b>

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

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

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

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

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

Table of Contents

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4% nondeductible federal excise tax on certain undistributed taxable income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income, less amounts carried over into the following year, and the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay a 4% excise tax on the amount by which 98% of our annual ordinary taxable income and 98.2% of capital gains exceeds our distributions for the year. We may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they had received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, our stockholders also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable shares of the tax we paid on the capital gains deemed distributed to them. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

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

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

Table of Contents

**SALES OF UNREGISTERED SECURITIES**

During the year ended December 31, 2014, we issued a total of 468,417 shares of our common stock under the DRIP. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The aggregate value of the shares of our common stock issued under the DRIP during 2014 was approximately \$15.0 million.

**PURCHASES OF EQUITY SECURITIES**

None.

Table of Contents

**STOCK PERFORMANCE GRAPH**

The following graph compares the stockholder return on our common stock from October 5, 2007 to December 31, 2014 with the Russell 2000 Index and the Main Street Peer Group index (as defined below). This comparison assumes \$100.00 was invested on October 5, 2007 (the date our common stock began to trade in connection with our initial public offering) in our common stock and in the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

**COMPARISON OF STOCKHOLDER RETURN(1)**  
**Among Main Street Capital Corporation, the Russell 2000 Index and Main Street Peer Group**  
**(For the Period October 5, 2007 to December 31, 2014)**

(1) Total return includes reinvestment of dividends through December 31, 2014.

(2) The Main Street Peer Group index is composed of American Capital, Ltd., Apollo Investment Corporation, Ares Capital Corporation, BlackRock Kelso Capital Corporation, Fidus Investment Corporation, Fifth Street Finance Corp., Gladstone Capital Corporation, Gladstone Investment Corporation, Golub Capital BDC, Inc., Harris & Harris Group, Inc., Hercules Technology Growth Capital, Inc., Horizon Technology Finance Corporation, KCAP Financial, Inc., Keating Capital, Inc., MCG Capital Corporation, Medley Capital Corporation, Monroe Capital Corporation, MVC Capital, Inc., New Mountain Finance Corporation, OFS Capital Corporation, OHA Investment Corp. (formerly known as NGP Capital Resources Company), PennantPark Floating Rate Capital Ltd., PennantPark Investment Corporation, Prospect Capital Corporation, Saratoga Investment Corp., Solar Capital Ltd., Solar Senior Capital Ltd., Stellus Capital Investment Corporation, TCP Capital Corp., THL Credit, Inc., TICC Capital Corp., Triangle Capital Corporation and WhiteHorse Finance, Inc.



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### Table of Contents

#### **Item 6. Selected Financial Data**

The selected financial and other data as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this Annual Report on Form 10-K.

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



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Table of Contents

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

(1)

SBIC debentures for December 31, 2014, 2013, 2012, 2011 and 2010 are \$225,000, \$200,200, \$225,000, \$220,000 and \$180,000 at par, respectively, with par of \$75,200 for December 31, 2014 and 2013, \$100,000 for December 31, 2012, and \$95,000 for December 31, 2011 and 2010 recorded at fair value of \$72,981, \$62,050, \$86,467, 76,887 and \$70,558, as of December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

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

Table of Contents

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.*

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

**ORGANIZATION**

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

During January 2010, MSCC acquired (the "Exchange Offer") approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II") and, together with MSMF, the "Funds") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

MSCC has direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of these entities is to hold certain investments that generate "pass through" income for tax purposes. Each of the Investment Managers is also a direct wholly owned

Table of Contents

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

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager.

**OVERVIEW**

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

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

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

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

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

Table of Contents

solutions is important to LMM portfolio companies. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years from the original investment date. We believe that our LMM investment strategy has limited correlation to the broader debt and equity markets.

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

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

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

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

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

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries (which as noted above and discussed in detail below, include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, include the Internal Investment Manager which was previously treated as a portfolio investment). The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio

Table of Contents

investments, the investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all "Marketable securities and idle funds investments", and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager. For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see further discussion below) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedules of Investments due to the nature of such investments. Our results of operations and cash flows for the years ended December 31, 2014, 2013 and 2012 and our financial position as of December 31, 2014 and 2013 are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation.

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

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2014 and 2013, our Investment Portfolio valued at fair value represented approximately 92% and 95% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact.

Our portfolio strategy calls for us to invest primarily in illiquid debt and equity securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. We categorize some of our investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities issued by companies that are consistent in size with either the LMM companies or Middle Market companies, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. The structure, terms and conditions for these Private Loan investments are typically



Table of Contents

consistent with the structure, terms and conditions for the investments made in our LMM portfolio or Middle Market portfolio. Our portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Our portfolio investments may be subject to restrictions on resale.

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

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

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

Under the Waterfall valuation method, we estimate the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then perform a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, we analyze various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in our determination. In addition, projecting future financial

Table of Contents

results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, we allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, we assume the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which we believe is consistent with our past transaction history and standard industry practices.

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

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

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

Table of Contents

and 2013, as applicable, and our investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed by our independent financial advisory services firm for the year ended December 31, 2014 and 2013 was 99% and 100% of the total LMM portfolio at fair value as of December 31, 2014 and 2013, respectively.

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

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

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

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

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

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

Table of Contents

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

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

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

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

***Share-Based Compensation***

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

***Income Taxes***

MSCC has elected to be treated for federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as

Table of Contents

dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the applicable fiscal year.

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

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

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

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

## **INVESTMENT PORTFOLIO COMPOSITION**

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

Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio companies generally

## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

have annual revenues between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

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

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

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

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

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

The following tables summarize the composition of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the



## Edgar Filing: Main Street Capital CORP - Form 10-K

### Table of Contents

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

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

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

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, by industry at cost and fair value as of December 31, 2014 and 2013 (this information excludes the Other Portfolio investments and the External Investment Manager).



Edgar Filing: Main Street Capital CORP - Form 10-K

Table of Contents

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

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

Table of Contents

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

(1)

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

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

Table of Contents**PORTFOLIO ASSET QUALITY**

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

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

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

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

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

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

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

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

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

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

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

The operating results of our portfolio companies are impacted by changes in the broader fundamentals of the United States economy. In the event that the United States economy contracts, it is likely that the financial results of small-to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain portfolio companies

will not be negatively impacted by economic cycles or other conditions, which could also have a negative impact on our future results.

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

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

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

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

Table of Contents

income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

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

Table of Contents

outstanding compared to the corresponding period in 2013 primarily due to the August 2013 and April 2014 follow-on equity offerings.

*Net Investment Income*

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

*Distributable Net Realized Income*

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

*Net Realized Income*

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

*Net Increase in Net Assets Resulting from Operations*

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



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Table of Contents

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

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

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

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

(a)

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

Table of Contents

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

(b)

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

*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

Distributable net investment income increased \$17.7 million to \$79.6 million, or \$2.17 per share, compared with \$61.9 million, or \$2.09 per share, in the corresponding period of 2012. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. The distributable

Table of Contents

net investment income on a per share basis for the year ended December 31, 2013 reflects the impact of a greater number of average shares outstanding compared to the corresponding period in 2012 primarily due to the June 2012, December 2012 and August 2013 follow-on equity offerings.

*Net Investment Income*

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

*Distributable Net Realized Income*

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

*Net Realized Income*

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

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

The net increase in net assets resulting from operations attributable to common stock during the year ended December 31, 2013 was \$96.9 million, or \$2.65 per share, compared with \$104.4 million, or \$3.53 per share, in the corresponding period of 2012. This \$7.5 million decrease from the comparable period in the prior year was primarily the result of the \$20.5 million difference in the net change in unrealized appreciation to \$19.0 million for the year ended December 31, 2013, compared to \$39.5 million for the comparable period in the prior year, partially offset by (i) a \$10.8 million decrease in the net income tax provision and (ii) the \$2.1 million increase in net realized income due to the factors discussed above, both for the year ended December 31, 2013 in comparison to the comparable period in the prior year. The total net change in unrealized appreciation for the year ended December 31, 2013 of \$19.0 million included (i) \$16.2 million of net unrealized appreciation from portfolio investments and (ii) the net unrealized appreciation of \$4.4 million on the SBIC debentures, which resulted from the \$4.8 million of accounting reversals of prior unrealized depreciation on the SBIC debentures in conjunction with the realized loss on the repayment of the SBIC debentures as discussed above, partially offset by net unrealized depreciation of \$0.4 million on the remaining SBIC debentures held by MSC II, partially offset by the net unrealized depreciation from Marketable securities and idle funds investments of \$1.7 million. The \$16.2 million net change in unrealized appreciation from portfolio investments for the year ended December 31, 2013 was principally attributable to (i) unrealized appreciation on 37 LMM portfolio investments totaling \$60.6 million, partially offset by unrealized

Table of Contents

depreciation on 15 LMM portfolio investments totaling \$38.8 million, (ii) \$3.7 million of net unrealized appreciation on Middle Market investments, (iii) \$1.1 million of net unrealized appreciation on the External Investment Manager and (iv) \$2.2 million of net unrealized appreciation on the Other Portfolio investments, partially offset by accounting reversals of net unrealized appreciation from prior periods of \$12.8 million related to portfolio investment exits and repayments. The net income tax benefit for the year ended December 31, 2013 related to a deferred tax benefit of \$3.6 million, partially offset by an income tax provision on other taxes of \$3.6 million. The deferred taxes related primarily to net unrealized depreciation on equity investments held in our Taxable Subsidiaries. The other taxes include \$1.8 million related to an accrual for excise tax on our estimated spillover taxable income and \$1.8 million related to accruals for state and other taxes.

***Liquidity and Capital Resources***

*Cash Flows*

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

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

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

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

During the period, we used \$240.7 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our operating activities totaling \$63.8 million, which is our \$79.6 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.9 million, payment-in-kind interest income of \$5.0 million, cumulative dividends of \$1.4 million and the amortization expense for deferred financing costs of \$1.5 million, (ii) cash uses totaling \$824.8 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2012, which together total \$767.5 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2012, which together total \$54.0 million, and (c) \$3.3 million related to decreases in payables and accruals, and

Table of Contents

(iii) cash proceeds totaling \$520.3 million from (a) \$465.0 million in cash proceeds from the repayments or sales of debt investments and sales of equity investments, (b) \$51.7 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) decreases in other assets of \$3.6 million.

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

*Capital Resources*

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

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

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

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

Table of Contents

first maturity related to our SBIC debentures does not occur until 2017, and the remaining weighted average duration is approximately 6.6 years as of December 31, 2014.

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net



Table of Contents

operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of this standard did not have a material effect on our consolidated financial statements.

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

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

***Inflation***

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

***Off-Balance Sheet Arrangements***

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

Table of Contents***Contractual Obligations***

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

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

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

***Related Party Transactions***

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

In June 2013, we adopted a deferred compensation plan for the non-employee members of our board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of our common stock within 90 days following the termination of a participant's service as a director. As of December 31, 2014, \$0.6 million of directors' fees had been deferred under this plan. These deferred fees represented 18,672 shares of our common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted average shares outstanding on our consolidated statement of operations as earned.

***Recent Developments***

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

In January 2015, we participated in a new portfolio investment totaling \$24.0 million of invested capital in Berry Aviation, Inc. ("Berry"), with our portion of the funding being \$6.4 million, and including \$6.0 million of secured subordinated term debt and a \$0.4 million equity investment for a minority equity ownership position in Berry. We partnered with our co-investors to facilitate a minority recapitalization of

Table of Contents

Berry and to support its growth initiatives. Headquartered in San Marcos, Texas, Berry is a full service aviation business that provides air carrier and concierge services to both private sector and public clients, including the United States Department of Defense ("U.S. DOD") and other governmental agencies.

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

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

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and Marketable securities and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The majority of our debt investments are made with either fixed interest rates or floating rates that are subject to contractual minimum interest rates for the term of the investment. As of December 31, 2014, approximately 56% of our debt investment portfolio (at cost) bore interest at floating rates, all of which were subject to contractual minimum interest rates. As of December 31, 2014, none of our Marketable securities and idle funds investments (at cost) bore interest at floating rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the interest rates on our outstanding SBIC debentures and our 4.50% Notes and 6.125% Notes, which comprise the majority of our outstanding debt, are fixed for the life of such debt. As of December 31, 2014, we had not entered into any interest rate hedging arrangements. At December 31, 2014, based on our applicable levels of our Credit Facility and floating-rate debt investments, a 1% change in interest rates would not have a material effect on our level of net investment income.

Table of Contents

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

**Index to Financial Statements**

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>90</u>
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	<u>92</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>93</u>
<u>Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>94</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013, and 2012</u>	<u>95</u>
<u>Consolidated Schedules of Investments as of December 31, 2014 and 2013</u>	<u>96</u>
<u>Notes to Consolidated Financial Statements</u>	<u>139</u>

Table of Contents

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 27, 2015

Table of Contents

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

We have audited internal control over financial reporting of Main Street Capital Corporation (a Maryland corporation) and subsidiaries ("the Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company, including the consolidated schedule of investments, as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows, for each of the three years in the period ended December 31, 2014 and the financial highlights (see Note I) for each of the five years in the period ended December 31, 2014, and our report dated February 27, 2015, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 27, 2015

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

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

**LIABILITIES**

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

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

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

**NET ASSETS**

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

**NET ASSET VALUE PER SHARE**

\$ 20.85 \$ 19.89



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The accompanying notes are an integral part of these financial statements

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

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

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<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	\$	100,748	\$	96,855	\$	104,390
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<b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b>	\$	2.20	\$	2.06	\$	2.01
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<b>NET REALIZED INCOME PER SHARE BASIC AND DILUTED</b>	\$	2.73	\$	2.13	\$	2.56
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<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE BASIC AND DILUTED</b>	\$	2.31	\$	2.65	\$	3.53
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**DIVIDENDS PAID PER SHARE:**

Regular monthly dividends	\$	1.995	\$	1.860	\$	1.71
Supplemental dividends		0.550		0.800		

<b>Total dividends</b>	\$	2.545	\$	2.660	\$	1.71
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<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b>		43,522,397		36,617,850		29,540,114
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The accompanying notes are an integral part of these financial statements

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Changes in Net Assets

(in thousands, except shares)

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

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

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Cash Flows****(in thousands)**

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

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**Supplemental cash flow disclosures:**

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

The accompanying notes are an integral part of these financial statements

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014  
(in thousands)

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



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<b>Garreco, LLC</b>	Manufacturer and Supplier of Dental Products			17,133	17,133
		14% Secured Debt (Maturity January 12, 2018)	5,400	5,320	5,320
		Member Units (1,200 units)(8)		1,200	1,360
				6,520	6,680

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

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>GRT Rubber Technologies LLC</b>	Engineered Rubber Product Manufacturer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity December 19, 2019)(9) Member Units (5,879 units)	16,750	16,585 13,065	16,585 13,065
				29,650	29,650
<b>Gulf Manufacturing, LLC</b>	Manufacturer of Specialty Fabricated Industrial Piping Products	9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017) Member Units (438 units)(8)	744	744 2,980	744 16,540
				3,724	17,284
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015) Preferred Stock (8% cumulative)(8) Common Stock (105,880 shares)	5,487	5,409 1,260 718	5,487 1,260 1,830
				7,387	8,577
<b>Hawthorne Customs and Dispatch Services, LLC</b>	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)(8) Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)		589 1,215	370 2,220
				1,804	2,590
<b>Hydratec, Inc.</b>	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	13,720
<b>IDX Broker, LLC</b>	Provider of Marketing and CRM Tools for the Real Estate Industry	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity November 18, 2018)(9) 12.5% Secured Debt (Maturity November 18, 2018) Member Units (5,029 units)	125 10,571	125 10,483 5,029	125 10,571 5,450
				15,637	16,146
<b>Impact Telecom, Inc.</b>	Telecommunications Services Provider	LIBOR Plus 6.50% (Floor 2.00%), Current Coupon 8.50%, Secured Debt (Maturity May 31, 2018)(9)	1,575 22,500	1,569 15,515	1,569 15,515

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13% Secured Debt (Maturity May 31, 2018)			
Warrants (5,516,667 equivalent shares)	8,000		4,160
	25,084		21,244

**Indianapolis Aviation Partners, LLC**

Fixed Base Operator

15% Secured Debt (Maturity January 15, 2015)	3,100	3,100	3,100
Warrants (1,046 equivalent units)		1,129	2,540
		4,229	5,640

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value	
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry Store	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt (Maturity November 14, 2016)(9)	3,655	3,618	3,655	
		Member Units (627 units)(8)		811	3,580	
				4,429	7,235	
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2015)	1,550	1,550	1,550	
		Preferred Equity (non-voting)		439	439	
		Warrants (71 equivalent units)			54	40
		Member Units (700 units)(8)			100	360
				2,143	2,389	
<b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b>	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity December 28, 2017)	10,250	10,112	10,112	
		Preferred Member Units (2,669 units)		3,750	3,750	
				13,862	13,862	
<b>Mid-Columbia Lumber Products, LLC</b>	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2017)	1,750	1,750	1,750	
		12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900	
		Member Units (2,829 units)(8)		1,244	10,180	
		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	927	927	927	
		Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)		250	550	
				8,071	17,307	
<b>MSC Adviser I, LLC(16)</b>	Third Party Investment Advisory Services	Member Units (Fully diluted 100.0%)(8)			15,580	
<b>Mystic Logistics, Inc</b>	Logistics and Distribution Services Provider for Large Volume Mailers	12% Secured Debt (Maturity August 15, 2019)	10,000	9,790	9,790	
		Common Stock (5,873 shares)		2,720	2,720	
				12,510	12,510	
<b>NAPCO Precast, LLC</b>	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity	625	615	625	

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September 1, 2015)(9)			
Prime Plus 2.00% (Floor 7.00%), Current			
Coupon 9.00%, Secured Debt (Maturity			
February 1, 2016)(9)	2,923	2,915	2,923
18% Secured Debt (Maturity February 1,			
2016)	4,468	4,440	4,468
Member Units (2,955 units)(8)		2,975	7,560
		10,945	15,576

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
NRI Clinical Research, LLC	Clinical Research Service Provider	14% Secured Debt (Maturity September 8, 2016)	4,889	4,779	4,779
		Warrants (251,723 equivalent units)		252	160
		Member Units (671,233 units)		671	722
				5,702	5,661
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity December 22, 2016)	12,100	11,590	11,590
		Warrants (14,331 equivalent units)		817	970
		Member Units (50,877 units)(8)		2,900	3,190
				15,307	15,750
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)(8)		1,080	13,420
Pegasus Research Group, LLC (Televerde)	Provider of Telemarketing and Data Services	Member Units (460 units)(8)		1,290	5,860
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity June 10, 2015)	7,860	7,848	7,860
		Common Stock (1,961 shares)		2,150	8,160
				9,998	16,020
Principle Environmental, LLC	Noise Abatement Service Provider	12% Secured Debt (Maturity April 30, 2017)	4,060	3,813	4,060
		12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)	3,244	3,227	3,244
		Preferred Member Units (19,631 units)		4,663	11,830
		Warrants (1,036 equivalent units)		1,200	720
				12,903	19,854
River Aggregates, LLC	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity June 30, 2018)	750	468	468
		12% Secured Debt (Maturity June 30, 2018)	500	500	500
		Member Units (1,150 units)(8)		1,150	2,570
		Member Units (RA Properties, LLC) (1,500 units)		369	369
				2,487	3,907

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SoftTouch Medical Holdings LLC

Home Provider of  
Pediatric Durable  
Medical Equipment

LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity October 31, 2019)(9)	8,500	8,417	8,417
Member Units (4,526 units)		5,015	5,015
		13,432	13,432

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Southern RV, LLC</b>	Recreational Vehicle Dealer	13% Secured Debt (Maturity August 8, 2018)	11,400	11,266	11,400
		Member Units (1,680 units)(8)		1,680	4,920
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018)	3,250	3,212	3,250
		Member Units (Southern RV Real Estate, LLC) (480 units)		480	470
				16,638	20,040
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	9% Secured Debt (Maturity October 8, 2018)	2,724	2,724	2,724
		Series A Preferred Units (2,500 units; 10% Cumulative)		2,500	980
		Warrants (1,424 equivalent units)		1,096	
		Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted)(8)		2,300	2,300
				8,620	6,004
<b>Travis Acquisition LLC</b>	Manufacturer of Aluminum Trailers	12% Secured Debt (Maturity August 30, 2018)	4,693	4,617	4,693
		Member Units (7,282 units)		7,100	13,650
				11,717	18,343
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply Store	9% Secured Debt (Maturity January 1, 2019)	1,802	1,802	1,802
		Member Units (1,006 units)(8)		1,113	3,500
				2,915	5,302
<b>Vision Interests, Inc.</b>	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2016)	3,204	3,169	3,154
		Series A Preferred Stock (3,000,000 shares)		3,000	3,250
		Common Stock (1,126,242 shares)		3,706	100
				9,875	6,504
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity October 1, 2018)(9)	1,500	1,491	1,491
			5,509	5,509	4,880



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9% Current / 9% PIK Secured Debt  
(Maturity October 1, 2018)  
Warrants (587 equivalent units) 600

7,600 6,371

**Subtotal Control Investments (29.9% of total investments at fair value) 342,847 469,846**

100

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Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

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

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

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Dos Rios Partners(12)(13)	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)(8)		2,325	2,325
		LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)(8)		738	738
				3,063	3,063
East Teak Fine Hardwoods, Inc.	Distributor of Hardwood Products	Common Stock (5,000 shares)(8)		480	860
East West Copolymer & Rubber, LLC	Manufacturer of Synthetic Rubbers	12% Secured Debt (Maturity October 17, 2019)	9,600	9,436	9,436
		Warrants (1,823,278 equivalent units)		50	50
				9,486	9,486
Freeport Financial SBIC Fund LP(12)(13)	Investment Partnership	LP Interests (Fully diluted 9.9%)(8)		4,677	4,677
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	10% Secured Debt (Maturity November 21, 2016)	13,046	12,749	10,782
		Warrants (29,025 equivalent units)		400	
				13,149	10,782
Glowpoint, Inc.	Provider of Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity October 18, 2018)	400	396	396
		12% Secured Debt (Maturity October 18, 2018)	9,000	8,909	8,909
		Common Stock (7,711,517 shares)		3,958	8,480
				13,263	17,785
Guerdon Modular Holdings, Inc.	Multi-Family and Commercial Modular Construction Company	11% Secured Debt (Maturity August 13, 2019)	11,200	11,044	11,044
		Common Stock (213,221 shares)		2,400	2,400
				13,444	13,444
Houston Plating and Coatings, LLC	Provider of Plating and Industrial Coating Services	Member Units (248,082 units)(8)		996	11,470
Indianhead Pipeline Services, LLC	Provider of Pipeline Support Services		6,900	6,625	6,625

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12% Secured Debt (Maturity February 6, 2017)		
Preferred Member Units (28,905 units; 8% cumulative)(8)	1,960	1,960
Warrants (38,193 equivalent units)	459	
Member Units (14,732 units)	1	
	9,045	8,585

102

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>irth Solutions, LLC</b>	Provider of Damage Prevention Information Technology Services	Member Units (128 units)(8)		624	3,960
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity September 28, 2017) Member Units (250 units)(8)	8,250	8,198 341	8,250 6,120
				8,539	14,370
<b>L.F. Manufacturing Holdings, LLC(10)</b>	Manufacturer of Fiberglass Products	Member Units (2,000,000 units)(8)		2,019	2,374
<b>MPS Denver, LLC</b>	Specialty Card Printing	Member Units (13,800 units)		1,130	1,130
<b>OnAsset Intelligence, Inc.</b>	Provider of Transportation Monitoring / Tracking Products and Services	12% PIK Secured Debt (Maturity March 31, 2015) Preferred Stock (912 shares; 7% cumulative)(8) Warrants (5,333 equivalent shares)	3,553	3,553 1,947 1,919	3,553 2,700 6,253
				7,419	6,253
<b>OPI International Ltd.(13)</b>	Provider of Man Camp and Industrial Storage Services	Common Stock (20,766,317 shares)		1,371	4,971
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems	Preferred Stock (1,500,000 shares; 20% cumulative)(8)		2,259	4,430
<b>Quality Lease and Rental Holdings, LLC</b>	Provider of Rigsite Accommodation Unit Rentals and Related Services	8% Secured Debt (Maturity October 1, 2014)(14)(17) 12% Secured Debt (Maturity January 8, 2018)(14) Preferred Member Units (Rocaciewa, LLC) (250 units)	157 36,577	157 36,073 2,500	157 11,500 38,730
				38,730	11,657
<b>Radial Drilling Services Inc.</b>	Oil and Gas Technology Provider	12% Secured Debt (Maturity November 22, 2016)	4,200	3,792	3,792

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Warrants (316 equivalent shares)	758	
	4,550	3,792
103		

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Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

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



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

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

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Applied Products, Inc.(10)

Adhesives Distributor

LIBOR Plus 6.50% (Floor 1.00%), Current  
Coupon 7.50%, Secured Debt (Maturity  
September 30, 2019)(9)  
105

6,236

6,170

6,170

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Aptean, Inc.(11)</b>	Enterprise Application Software Provider	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity February 26, 2020)(9)	7,667	7,642	7,450
<b>Artel, LLC(11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 27, 2017)(9)	4,594	4,549	4,548
<b>ATS Workholding, Inc.(10)</b>	Manufacturer of Machine Cutting Tools and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity March 10, 2019)(9)	6,558	6,506	6,506
<b>Beers Enterprises, Inc.(10)</b>	Provider of Broadcast Video Transport Services	Prime Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 19, 2019)(9)	6,263	6,210	6,210
<b>Bioventus LLC(10)</b>	Production of Orthopedic Healing Products	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity April 10, 2020)(9)	5,000	4,903	4,987
<b>Blackbrush Oil and Gas LP(11)</b>	Oil & Gas Exploration	LIBOR Plus 6.50%, (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity July 30, 2021)(9)	4,000	3,971	3,320
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)	6,224	6,189	6,131
<b>Blue Bird Body Company(11)</b>	School Bus Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity June 26, 2020)(9)	11,500	11,339	11,443
<b>Bluestem Brands, Inc.(11)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 6, 2020)(9)	7,500	7,213	7,237
<b>Brainworks Software, LLC(10)</b>	Advertising Sales and Production and Newspaper Circulation Software		6,263	6,182	6,182

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LIBOR Plus 8.25% (Floor 1.00%), Current  
 Coupon 9.25%, Secured Debt (Maturity  
 July 22, 2019)(9)

<b>Brasa Holdings Inc.(11)</b>	Upscale Full Service Restaurants	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9)	2,143	2,128	2,121
106					

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Brundage-Bone Concrete Pumping, Inc.(11)</b>	Construction Services Provider	10.375% Secured Debt (Maturity September 1, 2021)	2,500	2,500	2,556
<b>Calloway Laboratories, Inc.(10)</b>	Health Care Testing Facilities	12% PIK Secured Debt (Maturity September 30, 2015)(14) Warrants (125,000 equivalent shares)	7,225	7,176 17	2,878
				7,193	2,878
<b>Cedar Bay Generation Company LP(11)</b>	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)	2,476	2,457	2,458
<b>Cengage Learning Acquisitions, Inc.(11)</b>	Provider of Educational Print and Digital Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity March 31, 2020)(9)	4,000	3,990	3,975
<b>CGSC of Delaware Holdings Corp.(11)(13)</b>	Insurance Brokerage Firm	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)	2,000	1,975	1,780
<b>Charlotte Russe, Inc(11)</b>	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)	4,938	4,900	4,822
<b>CHI Overhead Doors, Inc.(11)</b>	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50%, (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity September 18, 2019)(9)	2,500	2,467	2,475
<b>Clarius ASIG, LLC(10)</b>	Prints & Advertising Film Financing	12% PIK Secured Debt (Maturity September 14, 2014)(17)	2,723	2,663	2,723
<b>Clarius BIGS, LLC(10)</b>	Prints & Advertising Film Financing	12% PIK Secured Debt (Maturity January 5, 2015)(14)	4,400	4,285	1,848
<b>Compact Power Equipment, Inc.</b>	Equipment / Tool Rental	12% Secured Debt (Maturity October 1, 2017) Series A Preferred Stock (4,298,435 shares; 8% cumulative)(8)	4,100	4,085 1,079	4,100 2,401
				5,164	6,501

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Covenant Surgical Partners, Inc.(11)	Ambulatory Surgical Centers	8.75% Secured Debt (Maturity August 1, 2019)	2,000	2,000	2,020
		107			

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Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2014**  
**(in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>CRGT Inc.(11)</b>	Provider of Custom Software Development	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 19, 2020)(9)	10,000	9,800	9,850
<b>CST Industries Inc.(11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	7,109	7,050	7,037
<b>Darr Equipment LP(10)</b>	Heavy Equipment Dealer	11.75% Current / 2% PIK Secured Debt (Maturity April 15, 2020) Warrants (915,734 equivalent units)	20,291	19,676 474	19,676 474
				20,150	20,150
<b>Digity Media LLC(11)</b>	Radio Station Operator	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity February 10, 2019)(9)	7,406	7,335	7,387
<b>Drilling Info, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	9,920
<b>ECP-PF Holdings Group, Inc.(10)</b>	Fitness Club Operator	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity November 26, 2019)(9)	5,625	5,570	5,570
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		3,430	3,240
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)(8)		1,561	1,325
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)		1,654	1,477
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 1.0%)(8)		4,586	4,567
		LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.8%)		184	184
				11,415	10,793
<b>Energy and Exploration Partners, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity January 22, 2019)(9)	9,461	9,054	6,788
<b>e-Rewards, Inc.(11)</b>	Provider of Digital Data Collection				

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		LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)	12,687	12,518	12,560
<b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)</b>	Technology-based Performance Support Solutions				
		LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity April 28, 2022)(9)	3,000	2,979	2,845
		108			



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>FC Operating, LLC(10)</b>	Christian Specialty Retail Stores	LIBOR Plus 10.75% (Floor 1.25%), Current Coupon 12.00%, Secured Debt (Maturity November 14, 2017)(9)	5,400	5,330	4,132
<b>FishNet Security, Inc.(11)</b>	Information Technology Value-Added Reseller	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)	7,840	7,791	7,840
<b>Flavors Holdings Inc.(11)</b>	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity April 30, 2020)(9)	4,938	4,746	4,728
<b>Fram Group Holdings, Inc.(11)</b>	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00% (Floor 1.50%), Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(9) LIBOR Plus 9.00% (Floor 1.50%), Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	5,935 700	5,928 698	5,907 684
<b>GI KBS Merger Sub LLC(11)</b>	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity April 29, 2022)(9)	800	6,626 784	6,591 796
<b>Grace Hill, LLC(10)</b>	Online Training Tools for the Multi-Family Housing Industry	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)	9,546	9,436	9,436
<b>Grupo Hima San Pablo, Inc.(11)</b>	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9) 13.75% Secured Debt (Maturity July 31, 2018)	4,913 2,000	4,846 1,925	4,775 1,920
<b>GST Autoleather, Inc.(11)</b>	Automotive Leather Manufacturer		9,975	6,771 9,882	6,695 9,825

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LIBOR Plus 5.50% (Floor 1.00%), Current  
 Coupon 6.50%, Secured Debt (Maturity  
 July 10, 2020)(9)

<b>Guitar Center, Inc.(11)</b>	Musical Instruments Retailer	6.5% Secured Debt (Maturity April 15, 2019)	7,000	6,817	6,020
<b>Halcon Resources Corporation(11)(13)</b>	Oil & Gas Exploration & Production	9.75% Unsecured Debt (Maturity July 15, 2020)	6,925	6,335	5,194
		109			

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Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Hostway Corporation(11)</b>	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity December 13, 2019)(9)	9,750	9,671	9,652
		LIBOR Plus 8.75% (Floor 1.25%), Current Coupon 10.00%, Secured Debt (Maturity December 11, 2020)(9)	5,000	4,917	4,950
				14,588	14,602
<b>Hunter Defense Technologies, Inc.(11)</b>	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity August 5, 2019)(9)	9,875	9,783	9,752
<b>ICON Health &amp; Fitness, Inc.(11)</b>	Producer of Fitness Products	11.875% Secured Debt (Maturity October 15, 2016)	4,385	4,323	4,122
<b>iEnergizer Limited(11)(13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)	10,029	9,905	9,277
<b>Infinity Acquisition Finance Corp.(11)</b>	Application Software for Capital Markets	7.25% Unsecured Debt (Maturity August 1, 2022)	4,000	4,000	3,620
<b>Inn of the Mountain Gods Resort and Casino(11)</b>	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity November 30, 2020)	3,851	3,687	3,697
<b>iQor US Inc.(11)</b>	Business Process Outsourcing Services Provider	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity April 1, 2021)(9)	9,987	9,789	9,288
<b>Jackson Hewitt Tax Service Inc.(11)</b>	Tax Preparation Service Provider	LIBOR Plus 8.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9)	4,509	4,396	4,509
<b>Joerns Healthcare, LLC(11)</b>	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity May 9, 2020)(9)	9,950	9,853	9,838
<b>John Deere Landscapes LLC(10)</b>	Distributor of Landscaping Supplies		8,573	8,193	8,193

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LIBOR Plus 4.00% (Floor 1.00%), Current  
Coupon 5.00%, Secured Debt (Maturity  
December 23, 2019)(9)  
110

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Keypoint Government Solutions, Inc.(11)</b>	Provider of Pre-Employment Screening Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity November 13, 2017)(9)	4,726	4,668	4,702
<b>Lansing Trade Group LLC(11)</b>	Commodity Merchandiser	9.25% Unsecured Debt (Maturity February 15, 2019)	6,000	6,000	5,610
<b>Larchmont Resources, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 7, 2019)(9)	6,895	6,842	6,636
<b>LKCM Distribution Holdings, L.P.</b>	Distributor of Industrial Process Equipment	12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)	16,417	16,278	16,417
<b>LKCM Headwater Investments I, L.P.(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 2.3%)(8)		2,250	5,764
<b>MAH Merger Corporation(11)</b>	Sports-Themed Casual Dining Chain	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)	7,258	7,198	7,276
<b>MediMedia USA, Inc.(11)</b>	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity November 20, 2018)(9)	5,411	5,292	5,289
<b>Messenger, LLC(10)</b>	Supplier of Specialty Stationary and Related Products to the Funeral Industry	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 5, 2019)(9)	13,639	13,518	13,518
<b>Milk Specialties Company(11)</b>	Processor of Nutrition Products	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity November 9, 2018)(9)	7,847	7,806	7,670
<b>Minute Key, Inc.</b>	Operator of Automated Key Duplication Kiosks	10% Current / 2% PIK Secured Debt (Maturity September 19, 2019)	4,023	3,985	3,985
<b>Miramax Film NY, LLC(11)</b>	Motion Picture Producer and Distributor	Class B Units (12% cumulative)(8)		792	792
<b>Modern VideoFilm, Inc.(10)</b>					

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Post-Production Film  
Studio

LIBOR Plus 3.50% (Floor 1.50%), Current Coupon 5.00% / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity September 25, 2017)(9)(14) Warrants (1,375 equivalent shares)	6,302	6,119 151	1,954 1
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		6,270	1,955
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111

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

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Mood Media Corporation(11)(13)</b>	Provider of Electronic Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity May 1, 2019)(9)	12,193	12,053	11,964
<b>MP Assets Corporation(11)</b>	Manufacturer of Battery Components	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 19, 2019)(9)	4,416	4,378	4,394
<b>New Media Holdings II LLC(11)(13)</b>	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 4, 2020)(9)	14,925	14,649	14,776
<b>Nice-Pak Products, Inc.(11)</b>	Pre-Moistened Wipes Manufacturer	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity June 18, 2015)(9)	12,541	12,518	12,478
<b>North Atlantic Trading Company, Inc.(11)</b>	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity January 13, 2020)(9)	7,426	7,361	7,305
<b>Novitex Intermediate, LLC(11)</b>	Provider of Document Management Services	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity July 7, 2020)(9)	5,985	5,929	5,746
<b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity November 15, 2026)	5,205	5,205	5,205
<b>Panolam Industries International, Inc.(11)</b>	Decorative Laminate Manufacturer	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity August 23, 2017)(9)	6,994	6,949	6,889
<b>Parq Holdings Limited Partnership(11)(13)</b>	Hotel & Casino Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 17, 2020)(9)	6,226	6,078	6,108
<b>Permian Holdings, Inc.(11)</b>	Storage Tank Manufacturer	10.5% Secured Debt (Maturity January 15, 2018)	2,755	2,728	2,066
<b>Pernix Therapeutics Holdings, Inc.(10)(13)</b>	Pharmaceutical Royalty Anti-Migraine	12% Secured Debt (Maturity August 1, 2020)	4,000	4,000	4,000





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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>PeroxyChem LLC(11)</b>	Chemical Manufacturer	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity February 28, 2020)(9)	8,933	8,774	8,843
<b>Philadelphia Energy Solutions Refining and Marketing LLC(11)</b>	Oil & Gas Refiner	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 4, 2018)(9)	2,948	2,917	2,785
<b>Pike Corporation(11)</b>	Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity June 22, 2022)(9)	15,000	14,628	14,825
<b>Polyconcept Financial B.V.(11)</b>	Promotional Products to Corporations and Consumers	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	4,325	4,311	4,309
<b>Primesight Limited(10)(13)</b>	Outdoor Advertising Operator	10% Secured Debt (Maturity October 22, 2016)	8,869	8,806	8,284
<b>Printpack Holdings, Inc.(11)</b>	Manufacturer of Flexible and Rigid Packaging	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity May 29, 2020)(9)	5,468	5,417	5,450
<b>PT Network, LLC(10)</b>	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity November 1, 2018)(9)	11,946	11,828	11,828
<b>QBS Parent, Inc.(11)</b>	Provider of Software and Services to the Oil & Gas Industry	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2021)(9)	10,000	9,905	9,825
<b>RCHP, Inc.(11)</b>	Regional Non-Urban Hospital Owner/Operator	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity October 23, 2019)(9)	4,000	3,945	3,990
<b>Recorded Books Inc.(11)</b>	Audiobook and Digital Content Publisher				

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LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity January 31, 2020)(9)	12,031	11,925	11,941
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Table of Contents**MAIN STREET CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Relativity Media, LLC(10)</b>	Full-Scale Film and Television Production and Distribution	10% Secured Debt (Maturity May 30, 2015)	5,787	5,772	5,801
		15% PIK Secured Debt (Maturity May 30, 2015)	7,410	7,347	7,558
		Class A Units (260,194 units)		292	1,086
				13,411	14,445
<b>Renaissance Learning, Inc.(11)</b>	Technology-based K-12 Learning Solutions	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity April 11, 2022)(9)	3,000	2,972	2,880
<b>RGL Reservoir Operations Inc.(11)(13)</b>	Oil & Gas Equipment and Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 13, 2021)(9)	3,990	3,876	3,219
<b>RLJ Entertainment, Inc.(10)</b>	Movie and TV Programming Licensee and Distributor	LIBOR Plus 8.75% (Floor 0.25%), Current Coupon 9.00%, Secured Debt (Maturity September 11, 2019)(9)	11,399	11,318	11,318
<b>SAExploration, Inc.(10)(13)</b>	Geophysical Services Provider	Common Stock (6,472 shares)(8)		65	27
<b>Sage Automotive Interiors, Inc(11)</b>	Automotive Textiles Manufacturer	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 8, 2021)(9)	3,000	2,971	2,985
<b>Sagittarius Restaurants LLC (d/b/a Del Taco)(11)</b>	Mexican/American QSR Restaurant Chain	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity October 1, 2018)(9)	4,591	4,572	4,562
<b>SCE Partners, LLC(10)</b>	Hotel & Casino Operator	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 14, 2019)(9)	7,481	7,421	7,519
<b>Sotera Defense Solutions, Inc.(11)</b>	Defense Industry Intelligence Services	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.00%, Secured Debt (Maturity April 21, 2017)(9)	10,984	10,564	10,160
<b>Symphony Teleca Services, Inc.(11)</b>	Outsourced Product Development	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2019)(9)	14,000	13,870	13,930

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Synagro Infrastructure Company,  
Inc(11)

Waste Management  
Services

LIBOR Plus 5.25% (Floor 1.00%), Current  
Coupon 6.25%, Secured Debt (Maturity  
August 22, 2020)(9)

6,913      6,798      6,822

114

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Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Targus Group International(11)</b>	Distributor of Protective Cases for Mobile Devices	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity May 24, 2016)(9)	4,288	4,299	3,495
<b>TeleGuam Holdings, LLC(11)</b>	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9)	6,830 2,500	6,813 2,480	6,796 2,512
				9,293	9,308
<b>Templar Energy LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 25, 2020)(9)	5,000	4,945	3,615
<b>The Tennis Channel, Inc.(10)</b>	Television-Based Sports Broadcasting	Warrants (114,316 equivalent shares)		235	301
<b>The Topps Company, Inc.(11)</b>	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2018)(9)	1,980	1,964	1,930
<b>Therakos, Inc.(11)</b>	Immune System Disease Treatment	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity December 27, 2017)(9)	6,278	6,178	6,255
<b>TOMS Shoes, LLC(11)</b>	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity October 30, 2020)(9)	5,000	4,511	4,625
<b>Travel Leaders Group, LLC(11)</b>	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 5, 2018)(9)	12,445	12,305	12,445
<b>UniTek Global Services, Inc.(11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity April 15, 2018)(9)(14)	10,776	10,173	7,942

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5% Current / 2.25% PIK Secured Debt (Maturity August 13, 2019)(14)	640	640	640
Warrants (267,302 equivalent shares)		449	
		11,262	8,582

115

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

**December 31, 2014**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Universal Fiber Systems, LLC(10)</b>	Manufacturer of Synthetic Fibers	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity January 31, 2019)(9)	5,094	5,084	5,082
<b>Universal Wellhead Services Holdings, LLC(10)</b>	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Class A Units(4,000,000 units)		4,000	4,000
<b>US Joiner Holding Company(11)</b>	Marine Interior Design and Installation	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity April 16, 2020)(9)	7,444	7,410	7,332
<b>Vantage Oncology, LLC(11)</b>	Outpatient Radiation Oncology Treatment Centers	9.5% Secured Debt (Maturity June 5, 2017)	7,000	7,000	6,790
<b>Virtex Enterprises, LP(10)</b>	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity December 27, 2018) Preferred Class A Units (14 units; 5% cumulative)(8) Warrants (11 equivalent units)	1,667	1,479 344 186	1,479 344 186
<b>Vision Solutions, Inc.(11)</b>	Provider of Information Availability Software	LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	5,000	4,941	4,872
<b>Western Dental Services, Inc.(11)</b>	Dental Care Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity November 1, 2018)(9)	5,395	5,391	5,153
<b>Wilton Brands LLC(11)</b>	Specialty Housewares Retailer	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity August 30, 2018)(9)	1,750	1,727	1,636
<b>Worley Claims Services, LLC(10)</b>	Insurance Adjustment Management and Services Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 31, 2020)(9)	6,500	6,437	6,533

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<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions	Warrants (952,500 equivalent shares)	1,071	1,071
<b>Subtotal Non-Control/Non-Affiliate Investments (51.8% of total investments at fair value)</b>			832,312	814,809
<b>Total Portfolio Investments, December 31, 2014</b>			1,441,402	1,563,330



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2014  
(in thousands)

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

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. Substantially all of the Company's assets are encumbered either as security for the Company's credit agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C for summary geographic location of portfolio companies.
- (4) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9)

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

(10)

**Private Loan portfolio investment. See Note B for a summary of Private Loan portfolio investments.**

(11)

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

(12)

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

(13)

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

(14)

**Non-accrual and non-income producing investment.**

(15)

**Marketable securities and idle fund investments.**

(16)

**External Investment Manager.**

(17)

**Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.**

Table of Contents

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

**December 31, 2013**  
**(in thousands)**

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

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9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017)	919	919	919
Member Units (438 units)(8)		2,980	13,220
		3,899	14,139

118

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Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators	12% Secured Debt (Maturity June 4, 2015)	4,896	4,659	4,896
		Preferred Stock (8% cumulative)(8)		1,167	1,167
		Common Stock (107,456 shares)		718	1,340
				6,544	7,403
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)(8)		589	440
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%)(8)		1,215	2,050
				1,804	2,490
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	13,720
IDX Broker, LLC	Provider of Marketing and CRM Tools for Real Estate	12.5% Secured Debt (Maturity November 18, 2018)	10,571	10,467	10,467
		Member Units (5,029 units)		5,029	5,029
				15,496	15,496
Impact Telecom, Inc.	Telecommunications Services	LIBOR Plus 4.50% (Floor 2.00%), Current Coupon 6.50%, Secured Debt (Maturity May 31, 2018)(9)	1,575	1,568	1,568
		13% Secured Debt (Maturity May 31, 2018)	22,500	14,690	14,690
		Warrants (5,516,667 equivalent shares)		8,000	8,760
				24,258	25,018
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity September 15, 2014)	3,550	3,483	3,550
		Warrants (1,046 equivalent units)		1,129	2,200
				4,612	5,750
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt (Maturity November 14, 2016)(9)	4,255	4,193	4,255
		Member Units (627 units)(8)		811	3,310
				5,004	7,565

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<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity August 22, 2014)	1,676	1,676	1,676
		Preferred Stock (non-voting)		459	470
		Warrants (71 equivalent units)		54	30
		Member Units (700 units)		100	250
				2,289	2,426

119

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity December 28, 2017)	10,250	10,076	10,076
		Preferred Member Units (2,669 units)		3,750	3,750
				13,826	13,826
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger- Jointed Lumber Products	10% Secured Debt (Maturity December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity December 18, 2017)	3,900	3,900	3,900
		Member Units (2,774 units)(8)		1,132	8,280
		9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)	972	972	972
		Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)		250	440
				8,004	15,342
MSC Adviser I, LLC(15)	Investment Partnership	Member Units (Fully diluted 100.0%)			1,064
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity September 1, 2015)(9)	2,750	2,703	2,750
		Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2016)(9)	2,923	2,893	2,923
		18% Secured Debt (Maturity February 1, 2016)	4,468	4,418	4,468
		Member Units (2,955 units)(8)		2,975	5,920
				12,989	16,061
NRI Clinical Research, LLC	Clinical Research Center	14% Secured Debt (Maturity September 8, 2016)	4,394	4,226	4,226
		Warrants (251,723 equivalent units)		252	440
		Member Units (500,000 units)		500	870
				4,978	5,536
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity December 22, 2016)	12,100	11,382	12,100
		Warrants (14,331 equivalent units)		817	1,420
		Member Units (50,877 units)(8)		2,900	5,050
				15,099	18,570

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**OMi Holdings, Inc.**

Manufacturer of Overhead  
Cranes

Common Stock (1,500 shares)(8) 1,080 13,420

**Pegasus Research Group, LLC  
(Televerde)**

Telemarketing and Data  
Services

15% Secured Debt (Maturity  
January 6, 2016) 4,791 4,760 4,791  
Member Units (450 units)(8) 1,250 4,860

6,010 9,651

120

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>PPL RVs, Inc.</b>	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity June 10, 2015)	7,860	7,827	7,860
		Common Stock (2,000 shares)		2,150	7,990
				9,977	15,850
<b>Principle Environmental, LLC</b>	Noise Abatement Services	12% Secured Debt (Maturity February 1, 2016)	3,506	3,070	3,506
		12% Current / 2% PIK Secured Debt (Maturity February 1, 2016)	4,674	4,617	4,656
		Warrants (1,036 equivalent units)		1,200	2,620
		Member Units (1,553 units)(8)		1,863	4,180
				10,750	14,962
<b>River Aggregates, LLC</b>	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity June 30, 2018)	750	421	421
		12% Secured Debt (Maturity June 30, 2018)	500	500	500
		Member Units (1,150 units)		1,150	
		Member Units (RA Properties, LLC) (1,500 units)			369
				2,440	1,290
<b>Southern RV, LLC</b>	Recreational Vehicle Dealer	13% Secured Debt (Maturity August 8, 2018)	11,400	11,239	11,239
		Member Units (1,680 units)(8)		1,680	1,680
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018)	3,250	3,204	3,204
		Member Units (Southern RV Real Estate, LLC) (480 units)		480	480
				16,603	16,603
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity July 1, 2014)	1,079	1,079	880
		6% Current / 6% PIK Secured Debt (Maturity July 1, 2014)	5,639	5,639	4,600
		Warrants (1,068 equivalent units)		1,096	
					7,814
<b>Travis Acquisition LLC</b>	Manufacturer of Aluminum Trailers	12% Secured Debt (Maturity August 30, 2018)	9,200	9,025	9,025

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	Member Units (7,282 units)		7,100	7,100
			16,125	16,125
<b>Uvalco Supply, LLC</b>				
	Farm and Ranch Supply Store			
	9% Secured Debt (Maturity January 1, 2019)	2,175	2,175	2,175
	Member Units (1,006 units)(8)		1,113	3,730
			3,288	5,905
	121			

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity December 23, 2016)	3,204	3,158	3,158
		Series A Preferred Stock (3,000,000 shares)		3,000	1,510
		Common Stock (1,126,242 shares)		3,706	
				9,864	4,668
Ziegler's NYPD, LLC	Casual Restaurant Group	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity October 1, 2018)(9)	1,000	1,000	1,000
		9% Current / 9% PIK Secured Debt (Maturity October 1, 2018)	5,449	5,449	4,820
		Warrants (587 equivalent units)		600	
				7,049	5,820
<b>Subtotal Control Investments (27.5% of total investments at fair value)</b>				<b>277,411</b>	<b>356,973</b>

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

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

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<b>Gault Financial, LLC (RMB Capital, LLC)</b>		LP Interests (Fully diluted 9.9%)		1,618	1,618
	Purchases and Manages				
	Liquidation of Distressed Assets				
		14% Secured Debt (Maturity November 21, 2016)	12,165	11,747	10,550
	Warrants (29,025 equivalent units)		400		
			12,147	10,550	
		123			

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Glowpoint, Inc.	Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity October 18, 2018)	300	294	294
		12% Secured Debt (Maturity October 18, 2018)	9,000	8,892	8,892
		Common Stock (GP Investment Holdings, LLC) (7,711,517 shares)		3,800	10,235
				12,986	19,421
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (238,333 units)(8)		635	9,160
Indianhead Pipeline Services, LLC	Pipeline Support Services	12% Secured Debt (Maturity February 6, 2017)	7,800	7,394	7,800
		Preferred Member Units (28,905 units; 8% cumulative)(8)		1,832	1,832
		Warrants (38,193 equivalent units)		459	470
		Member Units (14,732 units)(8)		1	530
				9,686	10,632
Integrated Printing Solutions, LLC	Specialty Card Printing	8% PIK Secured Debt (Maturity January 31, 2014)(14)	750	750	750
		13% PIK Secured Debt (Maturity September 23, 2016)(14)	12,500	11,918	8,365
		Preferred Member Units (13.6 units)		2,000	
		Warrants (9.9 equivalent units)		600	
				15,268	9,115
irth Solutions, LLC	Damage Prevention Technology Information Services	Member Units (128 units)(8)		624	3,300
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity September 28, 2017)	9,000	8,927	9,000
		Member Units (250 units)(8)		341	5,740
				9,268	14,740
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services	12% PIK Secured Debt (Maturity June 30, 2014)	2,330	1,788	1,788
		Preferred Stock (908 shares; 7% cumulative)(8)		1,815	2,602
		Warrants (3,629 shares)		1,787	370

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			5,390	4,760
<b>OPI International Ltd.(13)</b>	Oil and Gas Construction Services			
		Common Stock (20,766,317 shares)	1,371	4,971
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems			
		12% Current / 4% PIK Secured Debt (Maturity December 18, 2017)	4,449	4,376
		Preferred Stock (1,500,000 shares; 20% cumulative)(8)		1,847
			6,223	7,760

124

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Quality Lease and Rental Holdings, LLC	Rigsite Accommodation Unit Rental and Related Services	12% Secured Debt (Maturity January 8, 2018)(14)	37,350	36,843	20,000
		Preferred Member Units (Rocacia, LLC) (250 units)		2,500	
				39,343	20,000
Radial Drilling Services Inc.	Oil and Gas Technology	12% Secured Debt (Maturity November 22, 2016) Warrants (316 equivalent shares)	4,200	3,626 758	3,626
				4,384	3,626
Samba Holdings, Inc.	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity November 17, 2016)	11,453	11,325	11,453
		Common Stock (158,066 shares)		1,707	4,510
				13,032	15,963
Spectrio LLC	Audio Messaging Services	LIBOR Plus 7.50%, (Floor 1.00%) Current Coupon 8.50%, Secured Debt (Maturity November 19, 2018)(9)	17,878	17,504	17,878
		Warrants (191 equivalent units)		887	3,850
				18,391	21,728
SYNEO, LLC	Manufacturer of Specialty Cutting Tools and Punches	12% Secured Debt (Maturity July 13, 2016)	4,300	4,238	4,238
		Member Units (1,111 units)		1,036	740
		10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026)	1,440	1,414	1,414
				6,688	6,392
Texas Reexcavation LC	Hydro Excavation Services	12% Current / 3% PIK Secured Debt (Maturity December 31, 2017)	6,185	6,082	6,082
		Class A Member Units (290 units)		2,900	3,270
				8,982	9,352
Tin Roof Acquisition Company	Casual Restaurant Group		11,000	10,785	10,785



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12% Secured Debt (Maturity November 30, 2018)		
Class C Preferred Member Units (Fully diluted 10%; 10% cumulative)(8)	2,027	2,027
	12,812	12,812
<b>Subtotal Affiliate Investments (20.6% of total investments at fair value)</b>	<b>242,592</b>	<b>268,113</b>

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

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

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LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity July 15, 2018)(9)	9,628	9,571	9,652
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126

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Answers Corporation(11)</b>	Consumer Internet Search Services Provider	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity December 20, 2018)(9)	8,500	8,415	8,436
<b>AP Gaming I, LLC(10)</b>	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity December 20, 2020)(9)	7,000	6,790	6,913
<b>Apria Healthcare Group, Inc.(11)</b>	Provider of Home Healthcare Equipment	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity April 6, 2020)(9)	5,473	5,441	5,500
<b>Artel, LLC(11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 27, 2017)(9)	5,953	5,878	5,864
<b>Atkins Nutritionals Holdings II, Inc.(11)</b>	Weight Management Food Products	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity January 2, 2019)(9)	1,985	1,985	2,010
<b>B. J. Alan Company</b>	Retailer and Distributor of Consumer Fireworks	12.5% Current / 2.5% PIK Secured Debt (Maturity June 22, 2017)	11,235	11,158	11,158
<b>BBTS Borrower LP(11)</b>	Oil & Gas Exploration and Midstream Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity June 4, 2019)(9)	6,948	6,883	7,013
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)	5,413	5,375	5,399
<b>Bluestem Brands, Inc.(11)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 6, 2018)(9)	4,000	3,921	3,960
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media	12% Secured Debt (Maturity April 30, 2015)	7,063	6,983	7,063

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Brasa Holdings Inc.(11)	Upscale Full Service Restaurants	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)	3,456	3,379	3,498
		LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9)	3,857	3,820	3,896
				7,199	7,394
Calloway Laboratories, Inc.(10)	Health Care Testing Facilities	12% PIK Secured Debt (Maturity September 30, 2014) Warrants (125,000 equivalent shares)	6,336	6,276 17	4,738
				6,293	4,738
CDC Software Corporation(11)	Enterprise Application Software	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity August 6, 2018)(9)	4,197	4,163	4,244
Cedar Bay Generation Company LP(11)	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)	7,964	7,891	8,028
Charlotte Russe, Inc(11)	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)	4,988	4,942	4,919
CHI Overhead Doors, Inc.(11)	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity September 18, 2019)(9)	2,500	2,462	2,513
Collective Brands Finance, Inc.(11)	Specialty Footwear Retailer	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 9, 2019)(9)	2,481	2,481	2,494
Compact Power Equipment, Inc.	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity October 1, 2017)	3,918	3,901	3,918
		Series A Preferred Stock (4,298,435 shares; 8% cumulative)(8)		998	2,230
				4,899	6,148
CGSC of Delaware Holdings Corp.(11)(13)	Insurance Brokerage Firm	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt	2,000	1,972	1,940

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(Maturity October 16, 2020)(9)

128

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Connolly Holdings Inc.(11)</b>	Audit Recovery Software	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity July 13, 2018)(9)	2,395	2,376	2,405
		LIBOR Plus 9.25% (Floor 1.25%), Current Coupon 10.50%, Secured Debt (Maturity January 15, 2019)(9)	2,000	1,967	2,045
				4,343	4,450
<b>CST Industries Inc.(11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity May 22, 2017)(9)	11,563	11,436	11,389
<b>Drilling Info, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	9,470
<b>Emerald Performance Materials, Inc.(11)</b>	Specialty Chemicals Manufacturer	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 18, 2018)(9)	4,434	4,401	4,467
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		2,868	2,985
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.3%)		1,192	1,301
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)		646	646
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)		2,723	2,723
					7,429
<b>e-Rewards, Inc.(11)</b>	Provider of Digital Data Collection	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)	11,000	10,786	10,931
<b>Excelitas Technologies Corp.(11)</b>	Lighting and Sensor Components	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity November 2, 2020)(9)	3,958	3,919	3,987
<b>Fender Musical Instruments Corporation(11)</b>	Manufacturer of Musical Instruments	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity April 3, 2019)(9)	448	443	455
<b>FC Operating, LLC(10)</b>	Christian Specialty Retail Stores				
		LIBOR Plus 10.75% (Floor 1.25%), Current Coupon 12.00%, Secured Debt	5,550	5,459	5,437





Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
FishNet Security, Inc.(11)	Information Technology Value-Added Reseller	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)	7,920	7,856	7,965
Fram Group Holdings, Inc.(11)	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00% (Floor 1.50%), Current Coupon 6.50%, Secured Debt (Maturity July 31, 2017)(9)	964	961	958
		LIBOR Plus 9.00% (Floor 1.50%), Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	1,000	996	953
				1,957	1,911
Gastar Exploration USA, Inc.(11)	Oil & Gas Exploration & Production	8.63% Secured Bond (Maturity May 15, 2018)	1,000	1,000	983
Getty Images, Inc.(11)	Digital Photography and Video Content Marketplace	LIBOR Plus 3.50% (Floor 1.25%), Current Coupon 4.75%, Secured Debt (Maturity October 18, 2019)(9)	4,987	4,501	4,665
Golden Nugget, Inc.(11)	Owner & Operator of Hotels & Casinos	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity November 21, 2019)(9)	1,400	1,380	1,424
Grupo Hima San Pablo, Inc.(11)	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9)	4,963	4,877	4,714
		13.75% Secured Debt (Maturity July 31, 2018)	2,000	1,911	1,900
				6,788	6,614
Healogics, Inc.(11)	Wound Care Management	Common Stock (43,478 shares)(8)		50	50
iEnergizer Limited(11)(13)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)	8,150	8,020	8,028
Inn of the Mountain Gods Resort and Casino(11)	Hotel & Casino	9.25% Secured Debt (Maturity November 30, 2020)	4,096	3,901	3,953
Ipreo Holdings LLC(11)	Application Software for Capital Markets				

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LIBOR Plus 4.00% (Floor 1.00%), Current Coupon 5.00%, Secured Debt (Maturity August 5, 2017)(9)	5,637	5,630	5,721
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130

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Ivy Hill Middle Market Credit Fund III, Ltd.(12)(13)</b>	Investment Partnership	LIBOR Plus 6.50% (Floor 0.28%), Current Coupon 6.78%, Secured Debt (Maturity January 15, 2022)(9)	2,000	1,704	2,000
<b>Jackson Hewitt Tax Service Inc.(11)</b>	Tax Preparation Services	LIBOR Plus 8.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9)	4,844	4,688	4,820
<b>Joerns Healthcare, LLC(11)</b>	Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity March 28, 2018)(9)	6,451	6,395	6,322
<b>Keypoint Government Solutions, Inc.(11)</b>	Pre-Employment Screening Services	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity November 13, 2017)(9)	4,483	4,411	4,439
<b>Larchmont Resources, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity August 7, 2019)(9)	6,965	6,899	7,096
<b>Learning Care Group (US) No. 2 Inc.(11)</b>	Provider of Early Childhood Education	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity May 8, 2019)(9)	5,486	5,436	5,521
<b>LJ Host Merger Sub, Inc.(11)</b>	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity December 23, 2019)(9) LIBOR Plus 8.75% (Floor 1.25%), Current Coupon 10.00%, Secured Debt (Maturity December 23, 2020)(9)	10,000	9,901	9,950
			5,000	4,901	4,975
				14,802	14,925
<b>LKCM Distribution Holdings, L.P.</b>	Distributor of Industrial Process Equipment	12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)	16,506	16,342	16,342
<b>LKCM Headwater Investments I, L.P.(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 2.3%)(8)		1,500	3,033
<b>MAH Merger Corporation(11)</b>	Sports-Themed Casual Dining Chain	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)	7,350	7,277	7,313

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Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**December 31, 2013**  
**(in thousands)**

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Media Holdings, LLC(11)(13)</b>	Internet Traffic Generator	14% Secured Debt (Maturity October 18, 2018)	5,894	5,781	5,952
<b>MediMedia USA, Inc.(11)</b>	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity November 20, 2018)(9)	5,473	5,339	5,351
<b>Medpace Intermediateco, Inc.(11)</b>	Clinical Trial Development and Execution	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity June 19, 2017)(9)	2,924	2,896	2,924
<b>MedSolutions Holdings, Inc.(11)</b>	Specialty Benefit Management	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity July 8, 2019)(9)	3,900	3,864	3,912
<b>Metal Services LLC(11)</b>	Steel Mill Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity June 30, 2017)(9)	5,313	5,313	5,365
<b>Milk Specialties Company(11)</b>	Processor of Nutrition Products	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity November 9, 2018)(9)	4,905	4,863	4,911
<b>Miramax Film NY, LLC(11)</b>	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	871
<b>Modern VideoFilm, Inc.(10)</b>	Post-Production Film Studio	LIBOR Plus 3.50% (Floor 1.50%), Current Coupon 5.00% / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity December 19, 2017)(9) Warrants (1,375 equivalent shares)	5,397	5,198 151	4,749 1
<b>MP Assets Corporation(11)</b>	Manufacturer of Battery Components	LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity December 19, 2019)(9)	4,600	4,554	4,589
<b>National Vision, Inc.(11)</b>	Discount Optical Retailer	LIBOR Plus 5.75% (Floor 1.25%), Current Coupon 7.00%, Secured Debt (Maturity August 2, 2018)(9)	3,163	3,125	3,173
<b>NCP Investment Holdings, Inc.</b>					

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Management of  
Outpatient Cardiac Cath  
Labs

Class A and C Units (2,474,075 units)  
132

20 3,170

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>NGPL PipeCo, LLC(11)</b>	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity September 15, 2017)(9)	9,805	9,660	9,163
<b>Nice-Pak Products, Inc.(11)</b>	Pre-Moistened Wipes Manufacturer	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity June 18, 2014)(9)	5,701	5,650	5,530
<b>North American Breweries Holdings, LLC(11)</b>	Operator of Specialty Breweries	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity December 11, 2018)(9)	3,960	3,892	3,881
<b>NRC US Holding Company LLC(11)</b>	Environmental Services Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity July 30, 2019)(9)	3,413	3,396	3,421
<b>Nuverra Environmental Solutions, Inc.(11)(13)</b>	Water Treatment and Disposal Services	9.88% Unsecured Bond (Maturity April 15, 2018)	3,500	3,500	3,413
<b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity November 15, 2026)	5,000	5,000	5,000
<b>Panolam Industries International, Inc.(11)</b>	Decorative Laminate Manufacturer	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity August 23, 2017)(9)	7,499	7,435	7,255
<b>Permian Holdings, Inc.(11)</b>	Storage Tank Manufacturer	10.5% Secured Bond (Maturity January 15, 2018)	3,150	3,116	3,103
<b>Philadelphia Energy Solutions Refining and Marketing LLC(11)</b>	Oil & Gas Refiner	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 4, 2018)(9)	2,978	2,939	2,625
<b>Pitney Bowes Management Services Inc.(11)</b>	Provider of Document Management Services	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity October 1, 2019)(9)	5,985	5,927	6,030

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Polyconcept Financial B.V.(11)</b>	Promotional Products to Corporations and Consumers	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity June 28, 2019)(9)	3,413	3,381	3,425
<b>Primesight Limited(10)(13)</b>	Outdoor Advertising Operator	11.25% Secured Debt (Maturity October 17, 2015)	7,378	7,378	8,163
<b>PT Network, LLC(10)</b>	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity November 1, 2018)(9)	8,597	8,499	8,499
<b>Radio One, Inc.(11)</b>	Radio Broadcasting	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 31, 2016)(9)	2,902	2,873	2,977
<b>Ravago Holdings America, Inc.(11)</b>	Polymers Distributor	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 20, 2020)(9)	6,250	6,188	6,266
<b>Relativity Media, LLC(10)</b>	Full-scale Film and Television Production and Distribution	10% Secured Debt (Maturity May 24, 2015) 15% PIK Secured Debt (Maturity May 24, 2015) Class A Units (260,194 units)	5,787 6,370	5,739 6,189 292	6,026 6,449 1,521
				12,220	13,996
<b>Sabre Industries, Inc.(11)</b>	Manufacturer of Telecom Structures and Equipment	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 24, 2018)(9)	2,975	2,948	2,975
<b>SAExploration, Inc.(10)(13)</b>	Geophysical Services Provider	11% Current / 2.5% PIK Secured Debt (Maturity November 28, 2016) Common Stock (6,186 shares)(8)	8,075	8,173 65	8,075 55
				8,238	8,130
<b>SCE Partners, LLC(10)</b>	Hotel & Casino Operator	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 8, 2019)(9)	7,500	7,429	6,975

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Sotera Defense Solutions, Inc.(11)

Defense Industry  
Intelligence Services

LIBOR Plus 6.00% (Floor 1.50%),  
Current Coupon 7.50%, Secured Debt  
(Maturity April 21, 2017)(9)

11,651

11,086

10,486

134

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Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Sourcehov LLC(11)	Business Process Services	LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity April 30, 2019)(9)	1,500	1,486	1,523
Sutherland Global Services, Inc.(11)	Business Process Outsourcing Provider	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity March 6, 2019)(9)	6,738	6,619	6,754
Synagro Infrastructure Company, Inc(11)	Waste Management Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)	6,983	6,849	6,924
Targus Group International(11)	Protective Cases for Mobile Devices	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity May 24, 2016)(9)	4,426	4,445	3,696
Technimark LLC(11)	Injection Molding	LIBOR Plus 4.25% (Floor 1.25%), Current Coupon 5.50%, Secured Debt (Maturity April 17, 2019)(9)	3,734	3,701	3,753
TeleGuam Holdings, LLC(11)	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9)	6,965 2,500	6,933 2,477	6,948 2,513
				9,410	9,461
Templar Energy LLC(11)	Oil & Gas Exploration & Production	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity November 25, 2020)(9)	3,000	2,941	3,017
Tervita Corporation(11)(13)	Oil and Gas Environmental Services	LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity May 15, 2018)(9)	5,474	5,427	5,507
The Tennis Channel, Inc.(10)	Television-Based Sports Broadcasting	Warrants (114,316 equivalent shares)		235	301
The Topps Company, Inc.(11)	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2018)(9)	2,000	1,981	2,005



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>ThermaSys Corporation(11)</b>	Manufacturer of Industrial Heat Exchanges	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity May 3, 2019)(9)	6,395	6,336	6,326
<b>Therakos, Inc.(11)</b>	Immune System Disease Treatment	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity December 27, 2017)(9)	6,446	6,314	6,470
<b>Totes Isotoner Corporation(11)</b>	Weather Accessory Retail	LIBOR Plus 5.75% (Floor 1.50%), Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(9)	4,275	4,228	4,299
<b>Travel Leaders Group, LLC(11)</b>	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 5, 2018)(9)	7,500	7,352	7,406
<b>UniTek Global Services, Inc.(11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity April 15, 2018)(9) Warrants (267,302 equivalent shares)	10,034	9,328 466	10,016 450
				9,794	10,466
<b>Universal Fiber Systems, LLC(10)</b>	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75% (Floor 1.75%), Current Coupon 7.50%, Secured Debt (Maturity June 26, 2015)(9)	10,192	10,141	10,243
<b>US Xpress Enterprises, Inc.(11)</b>	Truckload Carrier	LIBOR Plus 7.88% (Floor 1.50%), Current Coupon 9.38%, Secured Debt (Maturity November 13, 2016)(9)	6,078	5,985	6,048
<b>Vantage Oncology, LLC(11)</b>	Outpatient Radiation Oncology Treatment Centers	9.5% Secured Bond (Maturity August 7, 2017)	7,000	7,000	7,175
<b>Virtex Enterprises, LP(10)</b>	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity December 27, 2018) Preferred Class A Units (14 shares; 5% cumulative)(8)	1,667	1,612 327	1,612 327

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Warrants (11 equivalent units)	22	22
	1,961	1,961
136		

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

**December 31, 2013**  
(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Visant Corporation(11)</b>	School Affinity Stores	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(9)	3,882	3,882	3,837
<b>Vision Solutions, Inc.(11)</b>	Provider of Information Availability Software	LIBOR Plus 4.50% (Floor 1.50%), Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(9)	2,348	2,235	2,347
		LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	5,000	4,969	5,050
				7,204	7,397
<b>Walker &amp; Dunlop Inc.(11)(13)</b>	Real Estate Financial Services	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity December 20, 2020)(9)	4,250	4,208	4,229
<b>Western Dental Services, Inc.(11)</b>	Dental Care Services	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity November 1, 2018)(9)	4,950	4,825	4,996
<b>Willbros Group, Inc.(11)(13)</b>	Engineering and Construction Contractor	LIBOR Plus 9.75% (Floor 1.25%), Current Coupon 11.00%, Secured Debt (Maturity August 5, 2019)(9)	2,993	2,893	3,037
<b>Wilton Brands LLC(11)</b>	Specialty Housewares Retailer	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity August 30, 2018)(9)	1,875	1,844	1,792
<b>Wireco Worldgroup Inc.(11)</b>	Manufacturer of Synthetic Lifting Products	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity February 15, 2017)(9)	2,469	2,451	2,492
<b>YP Holdings LLC(11)</b>	Online and Offline Advertising Operator	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity June 4, 2018)(9)	2,800	2,737	2,834
<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions	12% Secured Debt (Maturity June 15, 2017) Warrants (952,500 equivalent shares)	8,000	7,056 1,071	7,056 1,071
				8,127	8,127

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<b>Subtotal Non-Control/Non-Affiliate Investments (50.9% of total investments at fair value)</b>	643,068	661,102
<b>Total Portfolio Investments, December 31, 2013</b>	1,163,071	1,286,188

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013  
(in thousands)

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

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

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**Private Loan portfolio investment. See Note B for a summary of Private Loan portfolio investments.**

(11)

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

(12)

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

(13)

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

(14)

**Non-accrual and non-income producing investment.**

(15)

**External Investment Manager.**



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION**

**1. Organization**

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

During January 2010, MSCC acquired (the "Exchange Offer") approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds") and 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"). MSC II is an investment fund that operates as an SBIC and commenced operations in January 2006. During the first quarter of 2012, MSCC acquired all of the remaining minority ownership of the MSC II limited partnership interests (the "Final MSC II Exchange"). The Exchange Offer and related transactions, including the acquisition of MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

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

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds, the Taxable Subsidiaries and, beginning April 1, 2013, the Internal Investment Manager (see Note A.2. for further discussion).

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Basis of Presentation**

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

Under the regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services Investment Companies* ("ASC 946"), Main Street is precluded from consolidating portfolio company investments, including those in which it has a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in ASC 946 occurs if Main Street holds a controlling interest in an operating company that provides all or substantially all of its services directly to Main Street or to its portfolio companies. None of the portfolio investments made by Main Street qualify for this exception, including the investment in the External Investment Manager, except as discussed below with respect to the Internal Investment Manager. Therefore, Main Street's Investment Portfolio is carried on the balance sheet at fair value, as discussed further in Note B, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on the consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)." For all periods prior to and including March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment and included as part of the Investment Portfolio in the consolidated financial statements of Main Street (see Note D for further discussion of the Internal Investment Manager). The Internal Investment Manager was consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013 as the controlled operating subsidiary is providing substantially all of its services directly or indirectly to Main Street or its portfolio companies.

***Portfolio Investment Classification***

Main Street classifies its Investment Portfolio in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) "Control Investments" are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation,

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

(b) "Affiliate Investments" are defined as investments in which Main Street owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) "Non-Control/Non-Affiliate Investments" are defined as investments that are neither Control Investments nor Affiliate Investments.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Valuation of the Investment Portfolio**

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

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

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

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

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For its Other Portfolio equity investments, Main Street generally calculates the fair value of the investment primarily based on the net asset value ("NAV") of the fund. All of the valuation approaches for Main Street's portfolio investments estimate the value of the investment as if Main Street were to sell, or exit, the investment as of the measurement date.

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

Under the Waterfall valuation method, Main Street estimates the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then performs a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, Main Street analyzes various factors including the portfolio company's historical and projected financial results. The operating results of a portfolio company may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, Main Street also analyzes the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, Main Street allocates the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, Main Street assumes the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which Main Street believes is consistent with its past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, Main Street also uses the income approach to determine the fair value of debt securities based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of the portfolio investments. Main Street's estimate of the expected repayment date of its debt securities is generally the legal maturity date of the instrument, as Main Street generally intends to hold its loans and debt securities to maturity. The Yield-to-Maturity analysis also considers changes in leverage levels, credit quality, portfolio company performance and other factors. Main Street will generally use the value determined by the Yield-to-Maturity analysis as the fair value for that security; however, because of Main Street's general intent to hold its loans to maturity, the fair value will not exceed the principal amount of the debt security valued using the Yield-to-Maturity valuation method. A change in the assumptions that Main Street uses to estimate the fair value of its debt securities using the Yield-to-Maturity valuation method could

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, Main Street may consider other factors in determining the fair value of the debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

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

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

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

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

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

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

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

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

The Board of Directors of Main Street has the final responsibility for overseeing, reviewing and approving, in good faith, Main Street's determination of the fair value for its Investment Portfolio, as well as its valuation procedures, consistent with 1940 Act requirements. Main Street believes its Investment Portfolio as of December 31, 2014 and 2013 approximates fair value as of those dates based on the markets in which Main Street operates and other conditions in existence on those reporting dates.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

**2. Use of Estimates**

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

**3. Cash and Cash Equivalents**

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

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

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

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

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

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

Main Street holds debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax

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

treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. Main Street stops accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2014, 2013 and 2012, (i) approximately 3.3%, 4.3% and 4.3%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.3%, 1.2% and 0.3%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

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

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

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

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

**6. Deferred Financing Costs**

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

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



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

Main Street capitalizes debt origination fees received in connection with financings and reflects such fees as unearned income netted against the applicable debt investments. The unearned income from the fees is accreted into interest income based on the effective interest method over the life of the financing.

In connection with its portfolio debt investments, Main Street sometimes receives nominal cost warrants ("nominal cost equity") that are valued as part of the negotiation process with the particular portfolio company. When Main Street receives nominal cost equity, Main Street allocates its cost basis in its investment between its debt security and its nominal cost equity at the time of origination based on amounts negotiated with the particular portfolio company. The allocated amounts are based upon the fair value of the nominal cost equity, which is then used to determine the allocation of cost to the debt security. Any discount recorded on a debt investment resulting from this allocation is reflected as unearned income, which is netted against the applicable debt investment, and accreted into interest income based on the effective interest method over the life of the debt investment. The actual collection of this interest is deferred until the time of debt principal repayment.

Main Street may also purchase debt securities at a discount or at a premium to the par value of the debt security. In the case of a purchase at a discount, Main Street records the investment at the par value of the debt security net of the discount, and the discount is accreted into interest income based on the effective interest method over the life of the debt investment. In the case of a purchase at a premium, Main Street records the investment at the par value of the debt security plus the premium, and the premium is amortized as a reduction to interest income based on the effective interest method over the life of the debt investment.

To maintain RIC tax treatment (as discussed below in Note B.9.), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income. For the years ended December 31, 2014, 2013 and 2012, approximately 3.1%, 3.3% and 3.7%, respectively, of Main Street's total investment income was attributable to interest income for the accretion of discounts associated with debt investments, net of any premium reduction.

**8. Share-Based Compensation**

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

**9. Income Taxes**

MSCC has elected and intends to continue to qualify for the tax treatment applicable to a RIC under the Code, and, among other things, intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, MSCC is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year, MSCC may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the applicable fiscal year.

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

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

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

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

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

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

**11. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, payables and other liabilities approximate the fair values of such items due to the short term nature of these instruments. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities,

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

independently rated debt investments, diversified bond funds and publicly traded debt and equity investments and the fair value determination for these investments under the provisions of ASC 820 generally consists of Level 1 and 2 observable inputs, similar in nature to those discussed further in Note C.

As part of the Exchange Offer, Main Street elected the fair value option under ASC 825, *Financial Instruments* ("ASC 825") relating to accounting for debt obligations at their fair value, for the MSC II SBIC debentures acquired (the "Acquired Debentures") as part of the acquisition accounting related to the Exchange Offer and values those obligations as discussed further in Note C. In order to provide for a more consistent basis of presentation, Main Street has continued to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. When the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to "Net Change in Unrealized Appreciation (Depreciation) SBIC debentures" as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is included in interest expense.

**12. Earnings per Share**

Basic and diluted per share calculations are computed utilizing the weighted average number of shares of common stock outstanding for the period. In accordance with ASC 260, *Earnings Per Share*, the unvested shares of restricted stock awarded pursuant to Main Street's equity compensation plans are participating securities and are included in the basic earnings per share calculation. As a result, for all periods presented, there is no difference between diluted earnings per share and basic earnings per share amounts.

As a result of the Exchange Offer, which left a minority portion of MSC II's equity interests owned by certain non-Main Street entities for the periods prior to March 31, 2012, the net earnings of MSC II attributable to the remaining noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II for the periods prior to March 31, 2012. During the first quarter of 2012, MSCC completed the Final MSC II Exchange to acquire the entire minority portion of MSC II's equity interests not already owned by MSCC. The following table provides a reconciliation of Net Investment Income and

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net Realized Income attributable to common stock by excluding amounts related to the noncontrolling interest in MSC II that remained owned by non-Main Street entities for the year ended December 31, 2012.

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

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

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

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

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 provides guidance on the balance sheet presentation of

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an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of this standard did not have a material effect on Main Street's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. The new Guidance is effective for the annual reporting period beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is currently being evaluated.

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

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

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

**Fair Value Hierarchy**

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

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

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

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

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

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

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

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



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. During the classification process, Main Street may determine that it is appropriate to transfer investments between fair value hierarchy Levels. These transfers occur when Main Street has concluded that it is appropriate for the classification of an individual asset to be changed due to a change in the factors used to determine the selection of the Level. Any such changes are deemed to be effective during the quarter in which the transfer occurs.

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

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

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



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

As of December 31, 2014 and 2013, Main Street's Other Portfolio equity investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's Other Portfolio equity investments were categorized as Level 3 as of December 31, 2014 and 2013.

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

The fair value determination of each portfolio investment categorized as Level 3 required one or more of the following unobservable inputs:

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

Current and projected financial condition of the portfolio company;

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

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

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

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

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

Current information regarding any offers to purchase the investment;

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

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be

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

appropriate), are (i) EBITDA multiples and (ii) the weighted average cost of capital ("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM, Middle Market, Private Loan and Other Portfolio debt securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (described in Note B.1. Valuation of the Investment Portfolio) and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the tables below.

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

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

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

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

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

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Table of Contents

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Type of Investment	Fair Value as of December 31, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range(3)	Weighted Average(3)
Equity investments	\$ 307,322	Discounted cash flow	Weighted average cost of capital	11.1% - 19.0%	14.3%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.0x - 7.2x(2)	6.0x
Debt investments	\$ 467,396	Discounted cash flow	Risk adjusted discount factor	6.5% - 26.4%(2)	14.3%
			Expected principal recovery percentage	66.9% - 100.0%	97.8%
Debt investments	\$ 430,172	Market approach	Third party quote	82.3 - 102.9	
Total Level 3 investments	\$ 1,204,890				

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

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 11.5x and the range for risk adjusted discount factor is 6.5% - 96.0%.

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

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

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

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

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

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(1)

Includes the impact of non-cash conversions.

As of December 31, 2014 and 2013, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a Yield-to-Maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar

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

structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument.

The significant unobservable inputs used in the fair value measurement of Main Street's SBIC debentures recorded at fair value are the estimated market interest rates used to fair value each debenture using the yield valuation technique described above. Significant increases (decreases) in the Yield-to-Maturity valuation inputs in isolation would result in a significantly lower (higher) fair value measurement.

During 2014, Main Street received an investment grade credit rating of BBB with a stable outlook. This rating was included in our analysis of the estimated market rates which are used as inputs in the valuation of the SBIC debentures and affected the range of these inputs in comparison to previous periods. The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of December 31, 2014 and 2013 (amounts in thousands):

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

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

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

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

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

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

At December 31, 2014 and 2013, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

	Fair Value	Fair Value Measurements (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At December 31, 2014</b>				
LMM portfolio investments	\$ 733,191	\$	\$ 8,480	\$ 724,711
Middle Market portfolio investments	542,688			542,688
Private Loan portfolio investments	213,015			213,015
Other Portfolio investments	58,856			58,856
External Investment Manager	15,580			15,580
Total portfolio investments	1,563,330		8,480	1,554,850
Marketable securities and idle funds investments	9,067	9,067		
Total investments	\$ 1,572,397	\$ 9,067	\$ 8,480	\$ 1,554,850
SBIC debentures at fair value	\$ 72,981	\$	\$	\$ 72,981

	Fair Value	Fair Value Measurements (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At December 31, 2013</b>				
LMM portfolio investments	\$ 659,405	\$	\$ 10,235	\$ 649,170
Middle Market portfolio investments	471,458		69,063	402,395
Private Loan portfolio investments	111,463			111,463
Other Portfolio investments	42,798		2,000	40,798
External Investment Manager	1,064			1,064
Total portfolio investments	1,286,188		81,298	1,204,890
Marketable securities and idle funds investments	13,301	13,301		
Total investments	\$ 1,299,489	\$ 13,301	\$ 81,298	\$ 1,204,890
SBIC debentures at fair value	\$ 62,050	\$	\$	\$ 62,050

**Investment Portfolio Composition**

Main Street's lower middle market ("LMM") portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and its LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, Main Street receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

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

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

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

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

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could also be highly concentrated among several portfolio companies. For the years ended December 31, 2014, 2013 and 2012, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of December 31, 2014, Main Street had debt and equity investments in 66 LMM portfolio companies with an aggregate fair value of approximately \$733.2 million, with a total cost basis of approximately \$599.4 million, and a weighted average annual effective yield on Main Street's LMM debt investments of approximately 13.2%. As of December 31, 2014, approximately 72% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 90% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2014, Main Street had equity ownership in approximately 95% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2013, Main Street had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$659.4 million, with a total cost basis of approximately \$543.3 million and a weighted average annual effective yield on its LMM debt investments of

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

approximately 14.7%. As of December 31, 2013, approximately 76% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2013, Main Street had equity ownership in approximately 94% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014 and 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

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

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

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

As of December 31, 2014, Main Street had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of Main Street's Investment Portfolio at fair value as of December 31, 2014. As of December 31, 2013, Main Street had Other Portfolio investments in six companies, collectively totaling approximately \$42.8 million in fair value and approximately \$40.1 million in cost basis and which comprised approximately 3.3% of Main Street's Investment Portfolio at fair value as of December 31, 2013.

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

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

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

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

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

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

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

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

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

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

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

(1)

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

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

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

(1)

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

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

**NOTE D WHOLLY OWNED INVESTMENT MANAGERS****External Investment Manager**

As discussed further above in Note A.1., the External Investment Manager provides investment management and other services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC since the External Investment Manager conducts

all of its investment

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

management activities for parties outside of MSCC and its consolidated subsidiaries or their portfolio companies.

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

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

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

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



Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Year Ended Ended December 31, 2014 (in thousands)
Management fee income	\$ 2,795
Expenses allocated from Internal Investment Manager:	
Salaries, share-based compensation and other personnel costs	(1,479)
Other G&A expenses	(569)
<b>Total allocated expenses</b>	<b>(2,048)</b>
Other direct G&A expenses	(2)
<b>Total expenses</b>	<b>(2,050)</b>
Pre-tax income	745
Tax expense	(298)
<b>Net income</b>	<b>\$ 447</b>

**Internal Investment Manager**

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The Internal Investment Manager is a wholly owned subsidiary of MSCC. However, through March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment since the Internal Investment Manager is not an investment company and since it had historically conducted a significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries or its portfolio companies. Effective April 1, 2013, the Internal Investment Manager was consolidated prospectively as the controlled operating subsidiary is considered to be providing substantially all of its services directly or indirectly to Main Street and its consolidated subsidiaries or their portfolio companies.

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

As of March 31, 2013 (the last date the Internal Investment Manager was considered to be a portfolio investment for accounting purposes), the fair value of the investment in the Internal Investment Manager was zero. Beginning April 1, 2013, the Internal Investment Manager was fully consolidated with MSCC and its

Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

other consolidated subsidiaries in Main Street's consolidated financial statements and, as of April 1, 2013, all assets and liabilities were included in the consolidated balance sheet at fair value.

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

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

In the separate stand-alone financial statements of the Internal Investment Manager as summarized below, as part of the Formation Transactions the Internal Investment Manager recognized an \$18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of "Pushdown" Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase ("SAB 54"). Under SAB 54, push-down accounting is required in "purchase transactions that result in an entity becoming substantially wholly owned." In this case, MSCC acquired 100% of the equity interests in the Internal Investment Manager in the Formation Transactions. Because the \$18 million value attributed to MSCC's investment in the Internal Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the \$18 million valuation of the Internal Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. Through March 31, 2013, amortization expense was recorded by the Internal Investment Manager in its separate financial statements, but this amortization expense was not included in the expenses reimbursed by MSCC to the Internal Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature. Upon consolidation of the Internal Investment Manager, effective April 1, 2013, and for all periods thereafter, the effects of the intangible asset and related amortization expense have been fully eliminated in Main Street's consolidated financial statements.

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

Summarized financial information from the separate income statement of the Internal Investment Manager through March 31, 2013 is as follows:

	<b>Three Months Ended March 31, 2013</b>	<b>Year Ended December 31, 2012</b>
	<b>(in thousands)</b>	
	<b>(Unaudited)</b>	
Management fee income from MSC II	\$ 776	\$ 2,584
Other management advisory fees		283
<b>Total income</b>	<b>776</b>	<b>2,867</b>
Salaries, benefits and other personnel costs	(2,731)	(9,230)
Occupancy expense	(108)	(340)
Professional expenses	(77)	(129)
Amortization expense intangible asset	(340)	(1,289)
Other expenses	(273)	(1,253)
Expense reimbursement from MSCC	2,413	8,085
<b>Total net expenses</b>	<b>(1,116)</b>	<b>(4,156)</b>
<b>Net Loss</b>	<b>\$ (340)</b>	<b>\$ (1,289)</b>

As a result of the consolidation of the Internal Investment Manager effective April 1, 2013, beginning in the second quarter of 2013, the balance sheet and income statement accounts of the Internal Investment Manager are included in Main Street's consolidated financial statements and the "Expenses reimbursed to affiliated Internal Investment Manager" accounts included in Main Street's historical consolidated financial statements has a zero balance. In addition, as a result of the consolidation of the accounts of the Internal Investment Manager effective April 1, 2013, beginning with the second quarter of 2013, the expenses on Main Street's income statement that were included in "Expenses reimbursed to affiliated Internal Investment Manager" in prior periods are now included in "Compensation" or "General and administrative" expenses. The consolidation of the Internal Investment Manager has no net effect on net investment income or total expenses reported in any of the comparable periods presented.

The following unaudited supplemental pro forma information has been provided for illustrative purposes only to show the effects on the individual line items in Main Street's consolidated statements of operations affected for these periods prior to consolidation of the Internal Investment Manager. Future results may vary significantly from the results reflected in the following pro forma financial information because of future events and transactions, as well as other factors. No per share amounts are shown as the consolidation of the Internal Investment Manager would not have changed any per share results. The following pro-forma

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

information has been provided for years ended December 31, 2013 and 2012 as if the Internal Investment Manager had been consolidated as of the beginning of each period presented.

	Year Ended December 31, 2013      2012 (Pro-forma(1), in thousands)	
Compensation	(11,291)	(9,230)
General and administrative	(5,335)	(3,769)
Expenses reimbursed to affiliated Internal Investment Manager		
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 96,855</b>	<b>\$ 104,643</b>

- (1) Represents pro-forma information for the three months ended March 31, 2013 and actual information for the period from April 1, 2013 through December 31, 2013.

**NOTE E DEFERRED FINANCING COSTS**

Deferred financing costs balances as of December 31, 2014 and 2013 are as follows (amounts in thousands):

	As of December 31,	
	2014	2013
Credit Facility Fees	\$ 7,208	\$ 5,366
SBIC debenture leverage fees	5,000	4,399
4.50% Notes	3,668	
6.125% Notes	3,088	3,088
SBIC debenture commitment fees	2,048	1,800
Subtotal	21,012	14,653
Accumulated amortization	(6,462)	(4,722)
Net deferred financing costs balance	\$ 14,550	\$ 9,931

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2014 and thereafter is as follows (amounts in thousands):

Years Ended December 31,	Estimated Amortization
2015	\$ 2,516
2016	\$ 2,516
2017	\$ 2,516
2018	\$ 2,516
2019	\$ 2,208
2020 and thereafter	\$ 2,278

**NOTE F SBIC DEBENTURES**

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SBIC debentures payable at December 31, 2014 and 2013 were \$225.0 million and \$200.2 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate on the SBIC debentures as of December 31, 2014 and 2013 was 4.2% and 3.8%, respectively. Main Street issued

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

\$24.8 million of new SBIC debentures under the SBIC program in 2014 to reach the regulatory maximum amount of \$225.0 million. The first principal maturity due under the existing SBIC debentures is in 2017, and the remaining weighted average duration as of December 31, 2014 was approximately 6.6 years. For the years ended December 31, 2014, 2013 and 2012, Main Street recognized interest expense attributable to the SBIC debentures of \$9.5 million, \$10.3 million and \$11.4 million, respectively. Main Street has incurred upfront leverage and other miscellaneous fees of approximately 3.4% of the debenture principal amount. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of December 31, 2014, the recorded value of the SBIC debentures was \$222.8 million which consisted of (i) \$73.0 million recorded at fair value, or \$2.2 million less than the \$75.2 million face value of the SBIC debentures held in MSC II, and (ii) \$149.8 million reported at face value and held in MSMF. As of December 31, 2014, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately \$192.4 million or \$32.6 million less than the \$225.0 million face value of the SBIC debentures.

The maturity dates and fixed interest rates for Main Street's SBIC Debentures as of December 31, 2014 and 2013 are summarized in the following table:

<b>Maturity Date</b>	<b>Fixed Interest Rate</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
9/1/2017	6.43%	15,000,000	15,000,000
3/1/2018	6.38%	10,200,000	10,200,000
9/1/2019	4.95%	20,000,000	20,000,000
3/1/2020	4.51%	10,000,000	10,000,000
9/1/2020	3.50%	35,000,000	35,000,000
9/1/2020	3.93%	10,000,000	10,000,000
3/1/2021	4.37%	10,000,000	10,000,000
3/1/2021	4.60%	20,000,000	20,000,000
9/1/2021	3.39%	10,000,000	10,000,000
9/1/2022	2.53%	5,000,000	5,000,000
3/1/2023	3.16%	16,000,000	16,000,000
3/1/2024	3.95%	8,000,000	8,000,000
3/1/2024	3.95%	12,000,000	12,000,000
3/1/2024	3.95%	11,400,000	11,400,000
3/1/2024	3.95%	7,600,000	7,600,000
3/1/2024	3.55%	24,800,000	
<b>Ending Balance</b>		<b>225,000,000</b>	<b>200,200,000</b>

**NOTE G CREDIT FACILITY**

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

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

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

At December 31, 2014, Main Street had \$218.0 million in borrowings outstanding under the Credit Facility. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of \$6.9 million, \$5.6 million and \$4.2 million, respectively, for the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, the interest rate on the Credit Facility was 2.16%, and Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE H NOTES****6.125% Notes**

In April 2013, Main Street issued \$92.0 million, including the underwriters full exercise of their option to purchase additional principal amounts to cover over-allotments, in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). The 6.125% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street's option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. The total net proceeds to Main Street from the 6.125% Notes, after underwriting discounts and estimated offering expenses payable by Main Street, were approximately \$89.0 million. Main Street has listed the 6.125% Notes on the New York Stock Exchange under the trading symbol "MSCA". Main Street may from time to time repurchase the 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 6.125% Notes was \$90.8 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$5.9 million and \$4.4 million for each of the years ended December 31, 2014 and 2013, respectively.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 6.125% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities



Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture.

**4.50% Notes**

In November 2014, Main Street issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes") at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year. The total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable by us, were approximately \$171.2 million. Main Street may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2014, the outstanding balance of the 4.50% Notes was \$175.0 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$1.3 million for the year ended December 31, 2014.

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

Table of Contents

## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE I FINANCIAL HIGHLIGHTS

Per Share Data:	Twelve Months Ended December 31,				
	2014	2013	2012	2011	2010
NAV at the beginning of the period	\$ 19.89	\$ 18.59	\$ 15.19	\$ 13.06	\$ 11.96
Net investment income(1)(3)	2.20	2.06	2.01	1.69	1.16
Net realized gain (loss)(1)(2)(3)	0.53	0.07	0.55	0.11	(0.17)
Net change in unrealized appreciation (depreciation)(1)(2)(3)	(0.27)	0.52	1.34	1.23	1.14
Income tax provision(1)(2)(3)	(0.15)		(0.37)	(0.27)	(0.05)
Bargain purchase gain(1)					0.30
Net increase in net assets resulting from operations(1)(3)	2.31	2.65	3.53	2.76	2.38
Dividends paid to stockholders from net investment income	(2.17)	(2.29)	(1.17)	(1.46)	(1.39)
Dividends paid to stockholders from realized gains/losses	(0.38)	(0.37)	(0.54)	(0.10)	(0.11)
Total dividends paid	(2.55)	(2.66)	(1.71)	(1.56)	(1.50)
Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period	(0.01)	(0.02)	(0.02)	(0.14)	
Accretive effect of public stock offerings (issuing shares above NAV per share)	1.07	1.13	1.33	0.74	0.49
Accretive effect of Exchange Offer					0.22
Adjustment to investment in Internal Investment Manager in connection with Exchange Offer Transactions					(0.73)
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.12	0.13	0.07	0.05	0.08
Other(4)	0.02	0.07	0.20	0.28	0.16
NAV at the end of the period	\$ 20.85	\$ 19.89	\$ 18.59	\$ 15.19	\$ 13.06
Market value at the end of the period	\$ 29.24	\$ 32.69	\$ 30.51	\$ 21.24	\$ 18.19
Shares outstanding at the end of the period	45,079,150	39,852,604	34,589,484	26,714,384	18,797,444

- (1) Based on weighted average number of common shares outstanding for the period.
- (2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.
- (3) Per share amounts are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.
- (4) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.



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

	Twelve Months Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except percentages)				
NAV at end of period	\$ 939,982	\$ 792,533	\$ 642,976	\$ 405,711	\$ 245,535
Average net asset value	\$ 885,568	\$ 706,056	\$ 512,156	\$ 327,386	\$ 195,785
Average outstanding debt	\$ 575,524	\$ 444,331	\$ 322,154	\$ 277,692	\$ 158,563
Ratio of total expenses, including income tax expense, to average net asset value(1)(2)	5.82%	5.82%	8.18%	9.82%	8.81%
Ratio of operating expenses to average net asset value(1)	5.11%	5.82%	6.07%	7.96%	8.34%
Ratio of operating expenses, excluding interest expense, to average net asset value(1)	2.44%	2.95%	3.03%	4.01%	3.98%
Ratio of net investment income to average net asset value(1)	10.79%	10.68%	11.57%	11.76%	9.65%
Portfolio turnover ratio	35.71%	36.10%	56.22%	30.82%	26.71%
Total investment return(3)	3.09%	16.68%	53.60%	26.95%	23.97%
Total return based on change in net asset value(4)	12.71%	15.06%	25.73%	25.64%	26.11%

(1) Ratios are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

(2) Total expenses are the sum of operating expenses and income tax expense. Income tax expense includes the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. Main Street is required to include deferred taxes in calculating its total expenses even though these deferred taxes are not currently payable.

(3) Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by Main Street's dividend reinvestment plan during the period. The return does not reflect sales load.

(4) Total return based on change in net asset value was calculated using the sum of ending net asset value plus dividends to stockholders and other non-operating changes during the period, divided by the beginning net asset value.

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

During 2014, Main Street paid supplemental dividends of \$0.275 per share in each of June and December 2014, regular monthly dividends of \$0.165 per share for each month of January through September 2014 and regular monthly dividends of \$0.170 per share for each month of October through December 2014, with such dividends totaling \$110.9 million, or \$2.545 per share. The 2014 regular monthly dividends, which total \$86.2 million, or \$2.00 per share, represent a 7.3% increase from the monthly dividends paid per share for the year ended 2013. For tax purposes, the 2014 dividends, which included the effects of accrued dividends, total \$2.55 per share and were comprised of (i) ordinary income totaling approximately \$2.083 per share, (ii) long term capital gain totaling approximately \$0.419 per share, and (iii) qualified dividend income totaling approximately \$0.048 per share. As of December 31 2014, Main Street estimates that it has generated undistributed taxable income of approximately \$46.3 million, or \$1.03 per share, that will be carried forward toward distributions to be paid in 2015. For the years ended December 31, 2013 and 2012, Main Street paid total monthly dividends of approximately \$96.8 million, or \$2.66 per share, and \$49.6 million, or \$1.71 per share, respectively.

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

Ordinary dividend distributions from a RIC do not qualify for the reduced maximum tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividends or return of capital. The tax character of distributions paid for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Ordinary income(1)	\$ 91,369	\$ 68,630	\$ 28,440
Qualified dividends	2,106	17,058	1,663
Distributions of long term capital gains	18,502	12,507	21,073
Distributions	\$ 111,977	\$ 98,195	\$ 51,176

- (1) The year ended December 31, 2014 includes \$1.2 million that was reported as compensation for services for tax purposes in accordance with Section 83 of the Code.

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

Listed below is a reconciliation of "Net increase in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,		
	2014	2013	2012
	(estimated, amounts in thousands)		
Net increase in net assets resulting from operations	\$ 100,748	\$ 96,855	\$ 104,444
Share-based compensation expense	4,215	4,210	2,565
Net realized income allocated to noncontrolling interest			(65)
Net change in unrealized appreciation (depreciation)	11,707	(18,895)	(39,460)
Income tax provision (benefit)	6,287	(35)	10,820
Pre-tax book (income) loss not consolidated for tax purposes(1)	(7,721)	(437)	(2,187)
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	(1,667)	9,128	11,540
Estimated taxable income(2)	113,569	90,826	87,657
Taxable income earned in prior year and carried forward for distribution in current year	37,046	44,415	7,934
Taxable income earned prior to period end and carried forward for distribution next period	(46,301)	(43,622)	(49,603)
Dividend payable as of period end and paid in the following period	7,663	6,576	5,188

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Total distributions accrued or paid to common stockholders \$ 111,977 \$ 98,195 \$ 51,176

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(1) As discussed further in Note D, the Internal Investment Manager was consolidated effective April 1, 2013. Thus, all periods prior to this date do not include a reconciling item for the income (loss) of the

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

Internal Investment Manager as these periods did not include the results from operations of the Internal Investment Manager in the Net increase in net assets resulting from operations.

(2)

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

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

The Internal Investment Manager currently provides investment management and other services to MSCC and its subsidiaries and receives fee income for such services. In addition, it gets reimbursed for the expenses it charges to the External Investment Manager (see further discussion of the Investment Managers in Note D). Beginning April 1, 2013, the Internal Investment Manager is included in Main Street's consolidated financial statements and reflected as a consolidated subsidiary. The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is not consolidated with Main Street for income tax purposes and as a result may generate income tax expense, or benefit, and tax assets and liabilities, as a result of its activities.

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries and the Internal Investment Manager, if any, are reflected in Main Street's Consolidated Statement of Operations. Main Street's provision for income taxes was comprised of the following for the years ended December 31, 2014, 2013 and 2012 (amounts in thousands):

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current tax expense:			
Federal	\$ 734	\$ 1,153	\$ 168
State	847	591	1,059
Total current tax expense	1,581	1,744	1,227
Deferred tax expense (benefit):			
Federal	2,515	(2,822)	7,828
State	759	(769)	174
Total deferred tax expense (benefit)	3,274	(3,591)	8,002
Excise tax	1,432	1,812	1,591
Total income tax provision (benefit)	\$ 6,287	\$ (35)	\$ 10,820

As of December 31, 2014, the cost of investments for federal income tax purposes was \$1.5 billion, with such investments having a gross unrealized appreciation of \$201.5 million and gross unrealized depreciation of \$92.2 million.

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

The net deferred tax liability at December 31, 2014 and 2013 was \$9.2 million and \$5.9 million, respectively, primarily related to timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries, partially offset by net loss carryforwards (primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and the operating activities of the Internal Investment Manager), basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes and excess deductions resulting from the restricted stock plans (see further discussion in Note M). During the year ended December 31, 2013, capital loss carryforwards totaling approximately \$2.8 million were fully utilized. Due to the consolidation of the Internal Investment Manager (see further discussion in Note D) on April 1, 2013, the Company recorded a deferred tax asset of \$2.2 million through additional paid-in capital relating to the prior periods through March 31, 2013.

In accordance with the realization requirements of ASC 718, *Compensation - Stock Compensation*, Main Street uses tax law ordering when determining when tax benefits related to equity compensation greater than equity compensation recognized for financial reporting should be realized. For the years ended December 31, 2014 and 2013, Main Street realized a \$1.0 million and \$0.6 million, respectively, increase to paid-in-capital due to tax deductions related to equity compensation greater than equity compensation recognized for financial reporting. Additional paid-in capital increases of \$1.8 million will be recognized in future periods when such tax benefits are ultimately realized by reducing taxes payable.

Management believes that the realization of the deferred tax assets is more likely than not based on expectations as to future taxable income and scheduled reversals of temporary differences. Accordingly, Main Street did not record a valuation allowance related to its deferred tax assets at December 31, 2014 and 2013. The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2014 and 2013 (amounts in thousands):

	Year Ended December 31,	
	2014	2013
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 11,066	\$ 13,417
Net basis differences in portfolio investments	657	115
Total deferred tax assets	11,723	13,532
<b>Deferred tax liabilities:</b>		
Net unrealized appreciation of portfolio investments	(20,820)	(19,465)
Other	(117)	(7)
Total deferred tax liabilities	(20,937)	(19,472)
Total net deferred tax assets (liabilities)	\$ (9,214)	\$ (5,940)

For federal income tax purposes, the net loss carryforwards expire in various years from 2029 through 2034. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

**NOTE K COMMON STOCK**

During April 2014, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$31.50 per share, resulting in total gross proceeds of approximately \$144.9 million, less underwriters' commissions of approximately \$5.1 million and other expenses of approximately \$0.2 million.





Table of Contents

**MAIN STREET CAPITAL CORPORATION**

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

In August 2013, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$29.75 per share, resulting in total gross proceeds of approximately \$136.9 million, less (i) underwriters' commissions of approximately \$5.1 million and (ii) offering costs of approximately \$0.3 million.

In December 2012, Main Street completed a follow-on public equity offering of 2,875,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$28.00 per share, resulting in total gross proceeds of approximately \$80.5 million, less (i) underwriters' commissions of approximately \$3.2 million and (ii) offering costs of approximately \$0.2 million.

In June 2012, Main Street completed a follow-on public equity offering of 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share, resulting in total gross proceeds of approximately \$97.0 million, less (i) underwriters' commissions of approximately \$3.9 million and (ii) offering costs of approximately \$0.2 million.

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

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. The share requirements of the DRIP may be satisfied through the issuance of shares of common stock or through open market purchases of common stock. Newly issued shares will be valued based upon the final closing price of MSCC's common stock on the valuation date determined for each dividend by Main Street's Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased, before any associated brokerage or other costs. Main Street's DRIP is administered by its transfer agent on behalf of Main Street's record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in Main Street's DRIP but may provide a similar dividend reinvestment plan for their clients.

For the year ended December 31, 2014, \$17.4 million of the total \$110.9 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 468,417 newly issued shares and with the purchase of 85,754 shares of common stock in the open market. For the year ended December 31, 2013, \$17.5 million of the total \$96.8 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 433,218 newly issued shares and with the purchase of 134,659 shares of common stock in the open market. For the year ended December 31, 2012, \$10.4 million of the total \$49.6 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 349,960 newly issued shares and with the purchase of 63,416 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE M SHARE-BASED COMPENSATION**

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

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

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares generally vest over a four-year period from the grant date. The fair value is expensed over the service period, starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors, net of shares forfeited, and the remaining shares of restricted stock available for issuance as of December 31, 2014.

Restricted stock authorized under the plan	2,000,000
Less net restricted stock (granted)/forfeited on:	
July 1, 2008	(245,645)
July 1, 2009	(98,993)(1)
July 1, 2010	(149,357)
June 20, 2011	(116,909)(1)
June 20, 2012	(130,196)(1)
Quarter ended December 31, 2012	(12,476)
Quarter ended March 31, 2013	(725)(1)
Quarter ended June 30, 2013	(236,852)(1)
Quarter ended September 30, 2013	(12,688)(1)
Quarter ended December 31, 2013	(61)(1)
Quarter ended March 31, 2014	(397)
Quarter ended June 30, 2014	(209,130)(1)
Quarter ended September 30, 2014	(13,570)
Restricted stock available for issuance as of December 31, 2014	773,001

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(1) Shares indicated are net of forfeited shares

The following table summarizes the restricted stock issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares are granted upon appointment or election to the board and vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over such service period.

Restricted stock authorized under the plan	200,000
Less restricted stock granted on:	
July 1, 2008	(20,000)
July 1, 2009	(8,512)
July 1, 2010	(7,920)
June 20, 2011	(6,584)
August 3, 2011	(1,658)
June 20, 2012	(5,060)
June 13, 2013	(4,304)
August 6, 2013	(980)
May 29, 2014	(4,775)
Restricted stock available for issuance as of December 31, 2014	140,207

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For the years ended December 31, 2014, 2013 and 2012, Main Street recognized total share-based compensation expense of \$4.2 million, \$4.2 million and \$2.6 million, respectively, related to the restricted stock issued to Main Street employees and independent directors. In August 2013, the Board accelerated the vesting of all of the unvested shares of restricted stock previously granted to and held by Main Street's retiring Executive Vice-Chairman under the 2008 Equity Incentive Plan. The accelerated vesting of these

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

55,597 shares resulted in share-based compensation expense of \$1.3 million during the year ended December 31, 2013. Excluding the expense associated with the accelerated vesting of these shares, the total share-based compensation expense for the year ended December 31, 2013 was \$2.9 million. As of December 31, 2014, there was \$10.9 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 2.8 years as of December 31, 2014.

**NOTE N COMMITMENTS AND CONTINGENCIES**

At December 31, 2014, Main Street had a total of \$131.4 million in outstanding commitments comprised of (i) 26 investments with commitments to fund revolving loans that had not been fully drawn or term loans with additional commitments not yet funded and (ii) six investments with capital commitments that had not been fully called.

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

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

	<b>2014</b>			
	(amounts in thousands)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 30,776	\$ 34,877	\$ 36,351	\$ 38,759
Net investment income	\$ 20,739	\$ 23,578	\$ 24,887	\$ 26,332
Net increase in net assets resulting from operations	\$ 27,234	\$ 29,950	\$ 21,569	\$ 21,995
Net investment income per share-basic and diluted	\$ 0.52	\$ 0.53	\$ 0.55	\$ 0.59
Net increase in net assets resulting from operations per share-basic and diluted	\$ 0.68	\$ 0.68	\$ 0.48	\$ 0.49

	<b>2013</b>			
	(amounts in thousands)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 25,644	\$ 27,800	\$ 29,659	\$ 33,394
Net investment income	\$ 17,283	\$ 17,833	\$ 17,477	\$ 22,830
Net increase in net assets resulting from operations	\$ 23,629	\$ 24,004	\$ 28,054	\$ 21,168
Net investment income per share-basic and diluted	\$ 0.50	\$ 0.51	\$ 0.47	\$ 0.57
Net increase in net assets resulting from operations share-basic and diluted	\$ 0.68	\$ 0.69	\$ 0.76	\$ 0.53

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

	2012			
	(amounts in thousands)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 20,559	\$ 20,842	\$ 22,954	\$ 26,165
Net investment income	\$ 12,849	\$ 12,826	\$ 15,522	\$ 18,128
Net increase in net assets resulting from operations attributable to common stock	\$ 23,784	\$ 24,153	\$ 31,967	\$ 24,486
Net investment income per share-basic and diluted	\$ 0.48	\$ 0.47	\$ 0.49	\$ 0.56
Net increase in net assets resulting from operations attributable to common stock per share-basic and diluted	\$ 0.89	\$ 0.88	\$ 1.01	\$ 0.76

**NOTE P RELATED PARTY TRANSACTIONS**

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

In June 2013, Main Street adopted a deferred compensation plan for the non-employee members of its board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of Main Street common stock within 90 days following the termination of a participant's service as a director. As of December 31, 2014, \$0.6 million of directors' fees had been deferred under this plan. These deferred fees represented 18,672 shares of Main Street common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted average shares outstanding on Main Street's consolidated statement of operations as earned.

**NOTE Q SUBSEQUENT EVENTS**

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

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

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

Table of Contents

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders'  
Main Street Capital Corporation

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the "Company") referred to in our report dated February 27, 2015, which is included in the annual report on Form 10-K. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2), which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 27, 2015

## MAIN STREET CAPITAL CORPORATION

Schedule of Investments in and Advances to Affiliates  
Year ended December 31, 2014

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
<b>Control Investments</b>						
ASC Interests, LLC	11% Secured Debt	386	3,434	66	500	3,000
	Member Units	105	1,500	470		1,970
Bond-Coat, Inc.	12% Secured Debt	1,766	14,750	46	1,226	13,570
	Common Stock		8,850	2,360		11,210
Café Brazil, LLC	Member Units	942	6,770	210		6,980
California Healthcare Medical Billing, Inc.	9% Secured Debt	933	8,103	635	35	8,703
	Warrants		3,380	100		3,480
	Common Stock		1,560		100	1,460
CBT Nuggets, LLC	Member Units	3,763	16,700	10,500		27,200
Ceres Management, LLC (Lambs Tire & Automotive)	14% Secured Debt	606	4,000		84	3,916
	Class B Member Units	461	3,586	462		4,048
	Member Units		1,190	1,320		2,510
	9.5% Secured Debt	95	1,017		49	968
	Member Units	52	1,060	180		1,240
Datacom, LLC	10.5% Secured Debt	891		11,103		11,103
	Member Units			6,030		6,030
Garreco, LLC	14% Secured Debt	819	5,693	27	400	5,320
	Member Units	45	1,200	160		1,360
GRT Rubber Technologies LLC	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt Member Units	230		16,585 13,065		16,585 13,065
Gulf Manufacturing, LLC	9% PIK Secured Debt	69	919		175	744
	Member Units	1,744	13,220	3,320		16,540
Harrison Hydra-Gen, Ltd.	12% Secured Debt	744	4,896	1,160	569	5,487
	Preferred Stock	93	1,167	93		1,260
	Common Stock		1,340	490		1,830
Hawthorne Customs and Dispatch Services, LLC	Member Units		440		70	370
	Member Units	173	2,050	170		2,220
Hydratec, Inc.	Common Stock	768	13,720			13,720
IDX Broker, LLC	LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt	1		125		125



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	12.5% Secured Debt	1,361	10,467	104		10,571
	Member Units		5,029	421		5,450
Impact Telecom, Inc.	LIBOR Plus 6.50% (Floor 2.00%), Current Coupon 8.50%, Secured Debt	182	1,568	1		1,569
	13% Secured Debt	3,792	14,690	825		15,515
	Warrants		8,760		4,600	4,160
Indianapolis Aviation Partners, LLC	15% Secured Debt	612	3,550	67	517	3,100
	Warrants		2,200	340		2,540
Jensen Jewelers of Idaho, LLC	Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt	423	4,255	25	625	3,655
	Member Units	271	3,310	270		3,580
Lighting Unlimited, LLC	8% Secured Debt	129	1,676		126	1,550
	Preferred Equity		470		31	439
	Warrants		30	10		40
	Member Units	80	250	110		360
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	12% Secured Debt	1,283	10,076	36		10,112
	Preferred Member Units		3,750			3,750

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Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
Mid-Columbia Lumber Products, LLC	10% Secured Debt	177	1,750			1,750
	12% Secured Debt	495	3,900			3,900
	Member Units	1,225	8,280	1,900		10,180
	9.5% Secured Debt	91	972		45	927
	Member Units	12	440	110		550
MSC Adviser I, LLC(16)	Member Units	447	1,064	14,516		15,580
Mystic Logistics, Inc	12% Secured Debt	569		9,790		9,790
	Common Stock			2,720		2,720
NAPCO Precast, LLC	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	184		1,265	640	625
	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	273	5,673		2,750	2,923
	18% Secured Debt	825	4,468	22	22	4,468
	Member Units	958	5,920	1,640		7,560
NRI Clinical Research, LLC	14% Secured Debt	736	4,226	657	104	4,779
	Warrants		440		280	160
	Member Units		870	342	490	722
NRP Jones, LLC	12% Secured Debt	1,675	12,100	208	718	11,590
	Warrants		1,420		450	970
	Member Units		5,050		1,860	3,190
OMi Holdings, Inc.	Common Stock	480	13,420			13,420
Pegasus Research Group, LLC (Televerde)	15% Secured Debt	324	4,791	31	4,822	
	Member Units	373	4,860	1,000		5,860
PPL RVs, Inc.	11.1% Secured Debt	906	7,860	21	21	7,860
	Common Stock		7,990	170		8,160
Principle Environmental, LLC	12% Secured Debt	661	3,506	743	189	4,060
	12% Current / 2% PIK Secured Debt	537	4,656		1,412	3,244
	Preferred Member Units		4,180	7,650		11,830
	Warrants		2,620		1,900	720
River Aggregates, LLC	Zero Coupon Secured Debt		421	47		468
	12% Secured Debt	109	500			500
	Member Units	192		2,570		2,570
	Member Units		369			369
SoftTouch Medical Holdings LLC	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt	233		8,417		8,417
	Member Units			5,015		5,015
Southern RV, LLC	13% Secured Debt	1,530	11,239	161		11,400
	Member Units	662	1,680	3,240		4,920
	13% Secured Debt	436	3,204	46		3,250
	Member Units		480		10	470

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The MPI Group, LLC	9% Secured Debt	329	5,480	1,444	4,200	2,724
	Series A Preferred Units			2,300	1,320	980
	Warrants			2,192	2,192	
	Member Units	26		2,300		2,300
Travis Acquisition LLC	12% Secured Debt	1,023	9,025	175	4,507	4,693
	Member Units		7,100	6,550		13,650
Uvalco Supply, LLC	9% Secured Debt	178	2,175		373	1,802
	Member Units	248	3,730		230	3,500
Vision Interests, Inc.	13% Secured Debt	435	3,158	13	17	3,154
	Series A Preferred Stock		1,510	1,740		3,250
	Common Stock			100		100
Ziegler's NYPD, LLC	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt	81	1,000	491		1,491
	9% Current / 9% PIK Secured Debt	510	4,820	60		4,880
	Warrants					
Other Income from investments transferred from other 1940 Act classification during the year		363				
		40,122	356,973	150,532	37,659	469,846

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Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
<b>Affiliate Investments</b>						
AFG Capital Group, LLC	11% Secured Debt	214		6,465		6,465
	Warrants			259		259
	Member Units			1,200		1,200
American Sensor Technologies, Inc.	Warrants		10,100		10,100	
Boss Industries, LLC	Preferred Member Units			2,000		2,000
Bridge Capital Solutions Corporation	13% Secured Debt	806	4,799	1,038		5,837
	Warrants		530	180		710
Brightwood Capital Fund III, LP(12)(13)	LP Interests	570		15,469	7,021	8,448
CAI Software LLC	12% Secured Debt	259		5,348		5,348
	Member Units			654		654
Condit Exhibits, LLC	12% Secured Debt	73	3,750		3,750	
	Warrants		540		540	
	Member Unit	20		610		610
Congruent Credit Opportunities Funds(12)(13)	LP Interests	1,500	22,692	594	4,908	18,378
	LP Interests	20	4,128	4,314	708	7,734
Daseke, Inc.	12% Current / 2.5% PIK Secured Debt	3,159	19,828	895		20,723
	Common Stock		11,689	2,091		13,780
Dos Rios Partners(12)(13)	LP Interests	23	1,269	1,056		2,325
	LP Interests	8	403	335		738
East Teak Fine Hardwoods, Inc.	Common Stock	116	450	410		860
East West Copolymer & Rubber, LLC	12% Secured Debt	369		9,436		9,436
	Warrants			50		50
Freeport Financial SBIC Fund LP(12)(13)	LP Interests	536	1,618	3,059		4,677
Gault Financial, LLC (RMB Capital, LLC)	10% Secured Debt	1,994	10,550	1,001	769	10,782
	Warrants					
Glowpoint, Inc.	8% Secured Debt	5	294	251	149	396
	12% Secured Debt	1,144	8,892	17		8,909
	Common Stock		10,235	158	1,913	8,480
Guerdon Modular Holdings, Inc.	11% Secured Debt	558		11,044		11,044
	Common Stock			2,400		2,400
Houston Plating and Coatings, LLC	Member Units	528	9,160	2,310		11,470
Indianhead Pipeline Services, LLC	12% Secured Debt	1,035	7,800	131	1,306	6,625
	Preferred Member Units	114	1,832	128		1,960
	Warrants		470		470	

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	Member Units		530		530	
irth Solutions, LLC	Member Units	343	3,300	660		3,960
KBK Industries, LLC	12.5% Secured Debt	1,083	9,000	21	771	8,250
	Member Units	267	5,740	380		6,120
L.F. Manufacturing Holdings, LLC(10)	Member Units	929	2,035	356	17	2,374
MPS Denver, LLC	8% PIK Secured Debt		750		750	
	13% PIK Secured Debt		8,365	2,423	10,788	
	Member Units			1,130		1,130
OnAsset Intelligence, Inc.	12% PIK Secured Debt	1,071	1,788	1,765		3,553
	Preferred Stock	132	2,602	132	34	2,700
	Warrants		370	132	502	
OPI International Ltd.(13)	Common Stock		4,971			4,971
PCI Holding Company, Inc.	12% Current / 4% PIK Secured Debt	730	4,449	1,191	5,640	
	Preferred Stock	411	3,311	1,119		4,430
Quality Lease and Rental Holdings, LLC	8% Secured Debt			330	173	157
	12% Secured Debt	3	20,000	3	8,503	11,500
	Preferred Member Units					

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### Table of Contents

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2013 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2014 Value
Radial Drilling Services Inc.	12% Secured Debt Warrants	677	3,626	166		3,792
Samba Holdings, Inc.	12.5% Secured Debt Common Stock	2,239	11,453 4,510	16,000 1,520	1,035	26,418 6,030
Spectrio LLC	LIBOR Plus 7.50%, Current Coupon 8.50%, Secured Warrants	1,737	17,878 3,850	374	18,252 3,850	
SYNEO, LLC	12% Secured Debt Member Units 10% Secured Debt	547 88 147	4,238 740 1,414	37 61 1	1,601	2,674 801 1,415
Texas Reexcavation LC	12% Current / 3% PIK Secured Debt Class A Member Units	917	6,082 3,270	240	6,322 3,270	
Tin Roof Acquisition Company	12% Secured Debt Class C Preferred Stock	1,538 213	10,785 2,027	3,076 214		13,861 2,241
Other Income from investments transferred from other 1940 Act classification during the year		28				
		26,151	268,113	104,234	93,672	278,675

This schedule should be read in conjunction with Main Street's consolidated financial statements, including the consolidated schedule of investments and notes to the consolidated financial statements.

- (1) The principal amount, the ownership detail for equity investments and if the investment is income producing is shown in the consolidated schedule of investments.
- (2) Represents the total amount of interest, fees or dividends credited to income for the portion of the year an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the year, any income related to the time period it was in the category other than the one shown at year end is included in "Income from investments transferred from Control during the year" or "Income from investments transferred from Affiliate during the year".
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investment, follow on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a

different category.

Table of Contents

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

Not applicable.

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

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

(b) *Management's Report on Internal Control Over Financial Reporting.* The management of Main Street Capital Corporation and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Company's evaluation under the framework in Internal Control Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014. Grant Thornton, LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, as stated in its report which is included herein.

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

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

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

None.



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

The information required by this Item will be contained in the definitive proxy statement relating to our 2015 annual meeting of stockholders (the "Proxy Statement") under the headings "Election of Directors," "Corporate Governance," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," to be filed with the Securities and Exchange Commission on or prior to April 30, 2015, and is incorporated herein by reference.

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

**Item 11. Executive Compensation**

The information required by this Item will be contained in the Proxy Statement under the headings "Compensation of Executive Officers," "Compensation of Directors," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report," to be filed with the Securities and Exchange Commission on or prior to April 30, 2015, and is incorporated herein by reference.

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

The following table provides information regarding our equity compensation plans as of December 31, 2014:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column)(1)
Equity compensation plans approved by security holders		\$	913,208
Equity compensation plans not approved by security holders			
<b>Total</b>		<b>\$</b>	<b>913,208</b>

(1)

All of our equity compensation plans have been approved by our stockholders. As of December 31, 2014, we had issued 1,324,948 shares of restricted stock pursuant to our equity compensation plans, of which 818,611 shares had vested and 38,156 shares were forfeited. Pursuant to each of our equity compensation plans, if any award issued thereunder shall for any reason expire or otherwise terminate or be forfeited, in whole or in part, the shares of stock not acquired under such award shall revert to and again become available for issuance under such plan.

The other information required by this Item will be contained in the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management," to be filed with the Securities and Exchange Commission on or prior to April 30, 2015, and is incorporated herein by reference.

Table of Contents

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

The information required by this Item will be contained in the Proxy Statement under the headings "Certain Relationships and Related Party Transactions" and "Corporate Governance," to be filed with the Securities and Exchange Commission on or prior to April 30, 2015, and is incorporated herein by reference.

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

The information required by this Item will be contained in the Proxy Statement under the heading "Ratification of Appointment of Independent Registered Public Accounting Firm for Year Ending December 31, 2015," to be filed with the Securities and Exchange Commission on or prior to April 30, 2015, and is incorporated herein by reference.

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

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

**1. Consolidated Financial Statements**

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>90</u>
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	<u>92</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012</u>	<u>93</u>
<u>Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2014, 2013 and 2012</u>	<u>94</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012</u>	<u>95</u>
<u>Consolidated Schedules of Investments as of December 31, 2014 and 2013</u>	<u>96</u>
<u>Notes to Consolidated Financial Statements</u>	<u>139</u>

**2. Consolidated Financial Statement Schedule**

<u>Report of Independent Registered Public Accounting Firm</u>	<u>181</u>
<u>Schedule of Investments in and Advances to Affiliates for the Year Ended December 31, 2014</u>	<u>182</u>

**3. Exhibits**

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

Exhibit Number	Description
3.1*	Articles of Amendment and Restatement of Main Street Capital Corporation (previously filed as Exhibit (a) to Main Street Capital Corporation's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
3.2*	Amended and Restated Bylaws of Main Street Capital Corporation (previously filed as Exhibit 3.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on March 6, 2013 (File No. 1-33723))
4.1*	Form of Common Stock Certificate (previously filed as Exhibit (d) to Main Street Capital Corporation's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
4.2*	Dividend Reinvestment Plan (previously filed as Exhibit (e) to Main Street Capital Corporation's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2 filed on May 7, 2014 (Reg. No. 333-183555))
4.3*	Main Street Mezzanine Fund, LP SBIC debentures guaranteed by the SBA (previously filed as Exhibit (f)(1) to Main Street Capital Corporation's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 (Reg. No. 333-142879))
4.4*	Main Street Capital II, LP SBIC debentures guaranteed by the SBA (see Exhibit (f)(1) to Pre-Effective Amendment No. 1 to Form N-2 of Main Street Capital Corporation filed with the SEC on June 22, 2007 for a substantially identical copy of the form of debentures)
4.5*	Form of Indenture between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(6) to Main Street Capital Corporation's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on March 28, 2013 (Reg. No. 333-183555))

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### Table of Contents

<b>Exhibit Number</b>	<b>Description</b>
4.6*	Form of First Supplemental Indenture relating to the 6.125% Notes due 2023, between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(8) to Main Street Capital Corporation's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on March 28, 2013 (Reg. No. 333-183555))
4.7*	Form of 6.125% Notes due 2023 (incorporated by reference to Exhibit 4.6)
4.8*	Form of Second Supplemental Indenture relating to the 4.50% Notes due 2019, between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(10) to Main Street Capital Corporation's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2 filed on March 28, 2013 (Reg. No. 333-183555))
4.9*	Form of 4.50% Notes due 2019 (incorporated by reference to Exhibit 4.8)
10.1*	Second Amended and Restated Credit Agreement dated September 27, 2013 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723))
10.2*	Second Amended and Restated General Security Agreement dated September 27, 2013 (previously filed as Exhibit 10.2 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723))
10.3*	Second Amended and Restated Equity Pledge Agreement dated September 27, 2013 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723))
10.4*	Amended and Restated Custodial Agreement dated September 20, 2010 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))
10.5*	Third Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Custodial Agreement dated November 21, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed November 22, 2011 (File No. 1-33723))
10.6*	First Amendment to Second Amended and Restated Credit Agreement dated June 27, 2014 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on July 1, 2014 (File No. 1-33723))
10.7*	Second Amendment to Second Amended and Restated Credit Agreement dated September 25, 2014 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on September 30, 2014 (File No. 1-33723))
10.8*	Third Amendment to Second Amended and Restated Credit Agreement dated October 22, 2014 (previously filed as Exhibit (k)(6) to Main Street Capital Corporation's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2 filed on November 4, 2014 (Reg. No. 333-183555))
10.9*	Supplement and Joinder Agreement dated December 11, 2014 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on December 12, 2014 (File No. 1-33723))
10.10*	Main Street Capital Corporation 2008 Equity Incentive Plan (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed on August 7, 2009 (File No. 1-33723))
10.11*	Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan (previously filed as Exhibit 4.5 to Main Street Capital Corporation's Registration Statement on Form S-8 filed on June 20, 2008 (Reg. No. 333-151799))
10.12*	Custodian Agreement (previously filed as Exhibit (j) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))

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### Table of Contents

<b>Exhibit Number</b>	<b>Description</b>
10.13*	Form of Confidentiality and Non-Compete Agreement by and between Main Street Capital Corporation and Vincent D. Foster (previously filed as Exhibit (k)(12) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.14*	Form of Indemnification Agreement by and between Main Street Capital Corporation and each executive officer and director (previously filed as Exhibit (k)(13) to Main Street Capital Corporation's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.15*	Investment Sub-Advisory Agreement dated May 31, 2012 by and among HMS Adviser, LP, Main Street Capital Partners, LLC, Main Street Capital Corporation and HMS Income Fund, Inc. (previously filed as Exhibit (g)(2) to HMS Income Fund, Inc.'s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on May 31, 2012 (Reg. No. 333-178548))
10.16*	Assignment and Assumption of Investment Sub-Advisory Agreement dated December 31, 2013 by and among MSC Adviser I, LLC, HMS Adviser, LP, Main Street Capital Partners, LLC, Main Street Capital Corporation and HMS Income Fund, Inc. (previously filed as Exhibit 10.14 to Main Street Capital Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 (File No. 1-33723))
10.17*	Main Street Capital Corporation Deferred Compensation Plan for Non-Employee Directors, dated June 3, 2013 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed on August 9, 2013 (File No. 1-33723))
12.1	Computation of Ratio of Earnings to Fixed Charges
14.1*	Code of Business Conduct and Ethics (previously filed as Exhibit 14.1 to Main Street Capital Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 3, 2012 (File No. 1-33723))
21.1	List of Subsidiaries
23	Consent of Grant Thornton, LLP, independent registered public accounting firm
31.1	Rule 13a - 14(a)/15d - 14(a) certification of Chief Executive Officer
31.2	Rule 13a - 14(a)/15d - 14(a) certification of Chief Financial Officer
32.1	Section 1350 certification of Chief Executive Officer
32.2	Section 1350 certification of Chief Financial Officer

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

Management contract or compensatory plan or arrangement.

Table of Contents**SIGNATURES**

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

**MAIN STREET CAPITAL CORPORATION**

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

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

Date: February 27, 2015

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ VINCENT D. FOSTER</u> Vincent D. Foster	Chairman, President and Chief Executive Officer (principal executive officer)	February 27, 2015
<u>/s/ BRENT D. SMITH</u> Brent D. Smith	Chief Financial Officer (principal financial officer)	February 27, 2015
<u>/s/ SHANNON D. MARTIN</u> Shannon D. Martin	Vice President, Chief Accounting Officer (principal accounting officer)	February 27, 2015
<u>/s/ JOSEPH E. CANON</u> Joseph E. Canon	Director	February 27, 2015
<u>/s/ MICHAEL APPLING JR.</u> Michael Appling Jr.	Director	February 27, 2015
<u>/s/ ARTHUR L. FRENCH</u> Arthur L. French	Director	February 27, 2015
<u>/s/ J. KEVIN GRIFFIN</u> J. Kevin Griffin	Director	February 27, 2015
<u>/s/ JOHN E. JACKSON</u> John E. Jackson	Director	February 27, 2015

Table of Contents

**EXHIBIT INDEX**

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

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