

Main Street Capital CORP  
Form 10-Q  
November 04, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from:                      to

Commission File Number: 001-33723

## Main Street Capital Corporation

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**41-2230745**

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

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

(Address of principal executive offices)

**77056**

(Zip Code)

**(713) 350-6000**

(Registrant's telephone number including area code)

**n/a**

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 of this chapter) 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 number of shares outstanding of the issuer's common stock as of November 3, 2011 was 26,669,348.



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	September 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$193,683,126 and \$161,009,443 as of September 30, 2011 and December 31, 2010, respectively)	\$ 219,026,676	\$ 174,596,394
Affiliate investments (cost: \$95,369,438 and \$65,650,789 as of September 30, 2011 and December 31, 2010, respectively)	128,108,793	80,206,804
Non-Control/Non-Affiliate investments (cost: \$151,074,694 and \$91,911,304 as of September 30, 2011 and December 31, 2010, respectively)	147,937,952	91,956,221
Investment in affiliated Investment Manager (cost: \$4,284,042 as of September 30, 2011 and December 31, 2010)	1,916,322	2,051,655
Total portfolio investments (cost: \$444,411,300 and \$322,855,578 as of September 30, 2011 and December 31, 2010, respectively)	496,989,743	348,811,074
Marketable securities and idle funds investments (cost: \$137,509,250 and \$67,970,907 as of September 30, 2011 and December 31, 2010, respectively)	134,727,694	68,752,858
Total investments (cost: \$581,920,550 and \$390,826,485 as of September 30, 2011 and December 31, 2010, respectively)	631,717,437	417,563,932
Cash and cash equivalents	25,126,457	22,334,340
Deferred tax asset, net		1,958,593
Interest receivable and other assets	5,322,673	4,523,792
Deferred financing costs (net of accumulated amortization of \$1,985,141 and \$1,504,584 as of September 30, 2011 and December 31, 2010, respectively)	3,789,058	2,543,645
Total assets	\$ 665,955,625	\$ 448,924,302
<b>LIABILITIES</b>		
SBIC debentures (par: \$220,000,000 and \$180,000,000 as of September 30, 2011 and December 31, 2010, respectively; par of \$95,000,000 is recorded at a fair value of \$76,272,925 and \$70,557,975 as of September 30, 2011 and December 31, 2010, respectively)	\$ 201,272,925	\$ 155,557,975
Credit facility	114,000,000	39,000,000
Interest payable	920,931	3,194,870
Dividend payable	3,134,611	
Deferred tax liability, net	1,043,210	
Payable to affiliated Investment Manager	3,105,001	15,124

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Accounts payable and other liabilities	1,443,061	1,173,295
<b>Total liabilities</b>	<b>324,919,739</b>	<b>198,941,264</b>
Commitments and contingencies		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 23,219,348 and 18,797,444 issued and outstanding as of September 30, 2011 and December 31, 2010, respectively)	232,193	187,975
Additional paid-in capital	301,269,008	224,485,165
Accumulated net investment income	9,203,152	9,261,405
Accumulated net realized loss from investments	(19,624,729)	(20,541,897)
Net unrealized appreciation, net of income taxes	45,460,492	32,141,997
<b>Total Net Asset Value</b>	<b>336,540,116</b>	<b>245,534,645</b>
Noncontrolling interest	4,495,770	4,448,393
<b>Total net assets including noncontrolling interests</b>	<b>341,035,886</b>	<b>249,983,038</b>
<b>Total liabilities and net assets</b>	<b>\$ 665,955,625</b>	<b>\$ 448,924,302</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 14.49</b>	<b>\$ 13.06</b>

The accompanying notes are an integral part of these financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>INVESTMENT INCOME:</b>				
Interest, fee and dividend income:				
Control investments	\$ 6,361,495	\$ 4,497,476	\$ 18,502,354	\$ 12,625,127
Affiliate investments	3,185,316	1,975,131	8,468,026	5,737,576
Non-Control/Non-Affiliate investments	4,700,084	2,124,603	12,312,054	4,674,031
Total interest, fee and dividend income	14,246,895	8,597,210	39,282,434	23,036,734
Interest from marketable securities, idle funds and other	2,839,438	408,745	7,285,774	1,794,279
Total investment income	17,086,333	9,005,955	46,568,208	24,831,013
<b>EXPENSES:</b>				
Interest	(3,715,733)	(2,283,262)	(9,881,745)	(6,388,367)
General and administrative	(478,960)	(367,074)	(1,585,503)	(1,038,972)
Expenses reimbursed to affiliated Investment Manager	(1,949,656)	(1,151,713)	(6,287,068)	(3,634,511)
Share-based compensation	(580,622)	(446,342)	(1,466,416)	(1,049,258)
Total expenses	(6,724,971)	(4,248,391)	(19,220,732)	(12,111,108)
<b>NET INVESTMENT INCOME</b>	<b>10,361,362</b>	<b>4,757,564</b>	<b>27,347,476</b>	<b>12,719,905</b>
<b>NET REALIZED GAIN (LOSS) FROM INVESTMENTS:</b>				
Control investments	407,168	(1,868,465)	407,168	(3,587,638)
Non-Control/Non-Affiliate investments	750,000	156,476	771,460	156,476
Marketable securities and idle funds investments	290,582	179,633	540,236	493,581
Total net realized gain (loss) from investments	1,447,750	(1,532,356)	1,718,864	(2,937,581)
<b>NET REALIZED INCOME</b>	<b>11,809,112</b>	<b>3,225,208</b>	<b>29,066,340</b>	<b>9,782,324</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>				
Portfolio investments	10,700,680	5,314,507	26,191,990	11,386,598
Marketable securities and idle funds investments	(4,250,244)	335,205	(3,563,510)	103,924
SBIC debentures	(3,635,658)	3,035,336	(5,714,950)	4,792,390
Investment in affiliated Investment Manager	(48,327)	(55,462)	(135,333)	(341,658)
Total net change in unrealized appreciation	2,766,451	8,629,586	16,778,197	15,941,254
Income tax provision	(139,490)	(358,647)	(3,302,102)	(779,907)
Bargain purchase gain				4,890,582
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>14,436,073</b>	<b>11,496,147</b>	<b>42,542,435</b>	<b>29,834,253</b>
Noncontrolling interest		(552,845)	(157,600)	(961,740)
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 14,436,073</b>	<b>\$ 10,943,302</b>	<b>\$ 42,384,835</b>	<b>\$ 28,872,513</b>
<b>NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED</b>				
	\$ 0.44	\$ 0.28	\$ 1.23	\$ 0.81

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<b>NET REALIZED INCOME PER SHARE - BASIC AND DILUTED</b>	\$	0.50	\$	0.19	\$	1.30	\$	0.62
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED</b>	\$	0.62	\$	0.65	\$	1.94	\$	1.87
<b>DIVIDENDS PAID PER SHARE</b>	\$	0.39	\$	0.38	\$	1.16	\$	1.13
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED</b>		23,194,896		16,878,088		21,824,775		15,469,890

The accompanying notes are an integral part of these financial statements



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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Changes in Net Assets

(Unaudited)

	Common Stock Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Net Investment Income	Accumulated Net Realized Loss From Investments	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value	Noncontrolling Interest	Noncontrolling Interest	Total Net Assets Including Interest
<b>Balances at December 31, 2009</b>	10,842,447	\$ 108,425	\$ 123,534,156	\$ 7,269,866	\$ (15,922,020)	\$ 14,669,704	\$ 129,660,131	\$	\$	\$ 129,660,131
MSC II exchange offer and related transactions	1,246,803	12,468	20,080,623	4,890,582			24,983,673	3,237,210		28,220,883
Public offering of common stock, net of offering costs	6,095,000	60,950	85,864,532				85,925,482			85,925,482
Share-based compensation			1,049,258				1,049,258			1,049,258
Dividend reinvestment	347,474	3,474	5,388,728				5,392,202			5,392,202
Issuance of restricted stock	157,277	1,573	(1,573)							
Purchase of vested stock for employee payroll tax withholding	(22,814)	(228)	(369,345)				(369,573)			(369,573)
Adjustment to investment in Investment Manager related to the MSC II Exchange Offer			(13,715,958)				(13,715,958)			(13,715,958)
Dividends to stockholders				(17,530,548)	(1,685,972)		(19,216,520)			(19,216,520)
Net increase resulting from operations				12,719,905	(2,937,581)	15,161,347	24,943,671			24,943,671
Noncontrolling interest						(961,740)	(961,740)	961,740		
<b>Balances at September 30, 2010</b>	18,666,187	\$ 186,662	\$ 221,830,421	\$ 7,349,805	\$ (20,545,573)	\$ 28,869,311	\$ 237,690,626	\$ 4,198,950	\$	\$ 241,889,576
<b>Balances at December 31, 2010</b>	18,797,444	\$ 187,975	\$ 224,485,165	\$ 9,261,405	\$ (20,541,897)	\$ 32,141,997	\$ 245,534,645	\$ 4,448,393	\$	\$ 249,983,038
Public offering of common stock, net of offering costs	4,025,000	40,250	70,273,893				70,314,143			70,314,143
Share-based compensation			1,466,416				1,466,416			1,466,416
Purchase of vested stock for employee payroll tax	(32,725)	(327)	(674,498)				(674,825)			(674,825)

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withholding										
Dividend reinvestment	303,659	3,036	5,719,291			5,722,327			5,722,327	
Issuance of restricted stock	125,970	1,259	(1,259)							
Distributions to noncontrolling interest								(110,223)	(110,223)	
Dividends to stockholders			(27,405,729)	(801,696)		(28,207,425)			(28,207,425)	
Net increase resulting from operations			27,347,476	1,718,864	13,476,095	42,542,435			42,542,435	
Noncontrolling interest					(157,600)	(157,600)	157,600			
<b>Balances at September 30, 2011</b>	23,219,348	\$ 232,193	\$ 301,269,008	\$ 9,203,152	\$ (19,624,729)	\$ 45,460,492	\$ 336,540,116	\$ 4,495,770	\$ 341,035,886	

The accompanying notes are an integral part of these financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations	\$ 42,542,435	\$ 29,834,253
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized appreciation	(16,778,197)	(15,941,254)
Net realized (gain) loss from investments	(1,718,864)	2,937,581
Bargain purchase gain		(4,890,582)
Accretion of unearned income	(4,040,727)	(1,574,423)
Net payment-in-kind interest accrual	(2,998,424)	(1,412,345)
Share-based compensation expense	1,466,416	1,049,258
Amortization of deferred financing costs	480,557	319,473
Deferred taxes	3,001,803	629,607
Changes in other assets and liabilities:		
Interest receivable and other assets	(1,273,071)	(943,967)
Interest payable	(2,273,939)	(1,729,091)
Payable to affiliated Investment Manager	3,089,877	493,357
Accounts payable and other liabilities	269,766	(52,279)
Deferred fees and other	1,237,740	1,422,969
Net cash provided by operating activities	23,005,372	10,142,557
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in portfolio companies	(152,547,821)	(93,088,914)
Principal payments received on loans and debt securities in portfolio companies	43,834,237	20,922,671
Proceeds from sale of equity investments and related notes in portfolio companies	886,176	3,151,500
Cash acquired in MSC II exchange offer		2,489,920
Investments in marketable securities and idle funds investments	(133,698,255)	(62,004,440)
Proceeds from marketable securities and idle funds investments	57,859,770	29,154,403
Net cash used in investing activities	(183,665,893)	(99,374,860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from public offering of common stock, net of offering costs	70,314,143	85,925,482
Distributions to noncontrolling interest	(110,223)	
Dividends paid to stockholders	(19,350,487)	(11,491,053)
Proceeds from issuance of SBIC debentures	40,000,000	45,000,000
Proceeds from credit facility	144,000,000	36,650,000
Repayments on credit facility	(69,000,000)	(36,650,000)
Purchase of vested stock for employee payroll tax withholding	(674,825)	(369,573)
Payment of deferred loan costs and SBIC debenture fees	(1,725,970)	(2,118,129)
Net cash provided by financing activities	163,452,638	116,946,727
Net increase in cash and cash equivalents	2,792,117	27,714,424
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>22,334,340</b>	<b>30,619,998</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 25,126,457</b>	<b>\$ 58,334,422</b>

The accompanying notes are an integral part of these financial statements



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

**September 30, 2011**

**(Unaudited)**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Control Investments (3)</u></b>				
<b>Café Brazil, LLC</b>	Casual Restaurant Group			
12% Secured Debt (Maturity - April 20, 2013)		1,600,000	1,598,553	1,600,000
Member Units (Fully diluted 41.0%) (7)			41,837	3,430,000
			1,640,390	5,030,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Billing and Records Management			
12% Secured Debt (Maturity - October 17, 2015)		8,623,000	8,275,075	8,529,138
Warrants (Fully diluted 20.1%)			1,193,333	3,380,333
Common Stock (Fully diluted 9.9%)			1,176,667	1,560,000
			10,645,075	13,469,471
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Certification Training Videos			
14% Secured Debt (Maturity - December 31, 2013)		2,225,000	2,225,000	2,225,000
Member Units (Fully diluted 40.8%) (7)			1,299,520	4,590,000
			3,524,520	6,815,000
<b>Ceres Management, LLC (Lamb s)</b>	Aftermarket Automotive Services Chain			
14% Secured Debt (Maturity - May 31, 2013)		3,770,000	3,745,757	3,745,757
9.5% Secured Debt (Lamb s Real Estate Investment I, LLC) (Maturity - October 1, 2025)		1,126,833	1,126,833	1,126,833
Member Units (Fully diluted 79%)			4,423,000	2,049,664
Member Units (Lamb s Real Estate Investment I, LLC) (Fully diluted 100%)			625,000	750,000
			9,920,590	7,672,254
<b>Condit Exhibits, LLC</b>	Tradeshaw Exhibits/Custom Displays			
9% Current / 9% PIK Secured Debt (Maturity - July 1, 2013)		4,430,948	4,401,916	4,401,916
Warrants (Fully diluted 47.9%)			320,000	400,000
			4,721,916	4,801,916
<b>Currie Acquisitions, LLC</b>	Consumer Products			
12% Secured Debt (Maturity - March 1, 2015)		4,750,000	4,075,040	2,075,040
Warrants (Fully diluted 47.3%)			2,566,204	
			6,641,244	2,075,040
<b>Gulf Manufacturing, LLC</b>	Industrial Metal Fabrication			

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9% PIK Secured Debt (Maturity - June 30, 2017)	1,185,131	1,185,131	1,185,131
Member Units (Fully diluted 34.2%) (7)		2,979,813	8,860,000
		4,164,944	10,045,131
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators		
12% Secured Debt (Maturity - June 4, 2015)	5,507,375	4,908,144	5,230,000
Preferred Stock (8% cumulative) (7)		1,060,666	1,060,666
Warrants (Fully diluted 35.2%)		717,640	1,710,000
		6,686,450	8,000,666
<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/ Logistics		
Member Units (Fully diluted 47.62%) (7)		589,398	1,080,000
Member Units (Wallisville Real Estate, LLC) (Fully diluted 47.62%) (7)		1,214,784	1,214,784
		1,804,182	2,294,784
<b>Hydratec, Inc.</b>	Agricultural Services		
Common Stock (Fully diluted 92.5%) (7)		7,090,911	11,455,911
<b>Indianapolis Aviation Partners, LLC</b>	FBO / Aviation Support Services		
12% Secured Debt (Maturity - September 15, 2014)	4,270,000	3,983,533	4,120,000
Warrants (Fully diluted 30.1%)		1,129,286	1,410,286
		5,112,819	5,530,286

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

**September 30, 2011**

**(Unaudited)**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Control Investments (3)</u></b>				
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry			
Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013)		2,260,000	2,259,642	2,260,000
13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)		2,344,898	2,344,898	2,344,898
Member Units (Fully diluted 60.8%) (7)			811,000	1,750,000
			5,415,540	6,354,898
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services			
8% Secured Debt (Maturity - August 22, 2012)		2,000,000	1,978,300	1,978,300
Preferred Stock (non-voting)			510,098	510,098
Warrants (Fully diluted 7.1%)			54,000	
Common Stock (Fully diluted 70.0%)			100,000	100,000
			2,642,398	2,588,398
<b>Mid-Columbia Lumber Products, LLC</b>	Specialized Lumber Products			
10% Secured Debt (Maturity - April 1, 2012)		1,250,000	1,250,000	1,250,000
12% Secured Debt (Maturity - December 18, 2011)		3,670,000	3,659,291	3,670,000
9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)		1,073,500	1,073,500	1,073,500
Warrants (Fully diluted 9.2%)			250,000	890,000
Member Units (Fully diluted 42.9%)			812,000	930,000
Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (7)			250,000	810,000
			7,294,791	8,623,500
<b>NAPCO Precast, LLC</b>	Precast Concrete Manufacturing			
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (8)		3,384,615	3,374,013	3,384,615
18% Secured Debt (Maturity - February 1, 2013)		5,923,077	5,880,184	5,923,077
Member Units (Fully diluted 35.3%) (7)			2,020,000	3,240,000
			11,274,197	12,547,692
<b>NRI Clinical Research, LLC</b>	Clinical Research			
14% Secured Debt (Maturity - September 8, 2016)		6,250,000	5,877,436	5,877,436
Warrants (Fully diluted 12.5%)			251,724	251,724
Member Units (Fully diluted 24.8%)			500,000	500,000
			6,629,160	6,629,160

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<b>NTS Holdings, Inc.</b>	Trench & Traffic Safety Equipment			
12% Secured Debt (Maturity - April 30, 2015)		5,770,000	5,740,092	5,740,092
Preferred stock (12% cumulative, compounded quarterly) (7)			11,579,604	11,579,604
Common Stock (Fully diluted 72.3%)			1,621,255	1,460,000
			18,940,951	18,779,696
<b>OMi Holdings, Inc.</b>	Manufacturer of Overhead Cranes			
12% Secured Debt (Maturity - April 1, 2013)		8,329,422	8,299,325	8,299,325
Common Stock (Fully diluted 48.0%)			1,080,000	1,580,000
			9,379,325	9,879,325
<b>Pegasus Research Group, LLC (Televerde)</b>	Telemarketing and Data Services			
13% Current / 3% PIK Secured Debt (Maturity - January 6, 2016)		6,159,915	6,085,425	6,085,425
Member Units (Fully diluted 43.7%)			1,250,000	1,250,000
			7,335,425	7,335,425
<b>PPL RVs, Inc.</b>	Recreational Vehicle Parts and Consignment			
18% Secured Debt (Maturity - June 10, 2015)		4,234,526	4,183,598	4,234,526
Member Units (Fully diluted 51.1%)			2,150,000	3,980,000
			6,333,598	8,214,526
<b>Principle Environmental, LLC</b>	Noise Abatement Products/Services			
12% Secured Debt (Maturity - February 1, 2016)		5,500,000	4,315,010	4,690,000
12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)		2,256,556	2,212,417	2,212,417
Warrants (Fully diluted 15.0%)			1,200,000	1,910,000
Member Units (Fully diluted 25.0%)			2,000,000	3,280,000
			9,727,427	12,092,417
<b>River Aggregates, LLC</b>	Construction Aggregates			
12% Secured Debt (Maturity - March 30, 2016)		3,270,000	3,103,430	3,103,430
Warrants (Fully diluted 10.0%)			122,500	122,500
Member Units (Fully diluted 45%)			550,000	550,000
			3,775,930	3,775,930



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**September 30, 2011**

**(Unaudited)**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Control Investments (3)</u></b>				
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories			
4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013)		1,033,513	1,028,715	1,028,715
6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)		5,329,167	5,202,910	5,202,910
Warrants (Fully diluted 47.1%)			895,943	
Member Units (Non-voting)			200,000	200,000
			7,327,568	6,431,625
<b>Thermal &amp; Mechanical Equipment, LLC</b>				
	Heat Exchange / Filtration Products and Services			
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (8)		1,415,540	1,408,287	1,408,287
13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)		4,509,680	4,458,675	4,509,680
Member Units (Fully diluted 50.0%) (7)			1,000,000	5,660,000
			6,866,962	11,577,967
<b>Uvalco Supply, LLC</b>				
	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%) (7)			1,113,243	3,090,000
<b>Van Gilder Insurance Corporation</b>				
	Insurance Brokerage			
8% Secured Debt (Maturity - January 31, 2013)		1,000,000	983,922	983,922
8% Secured Debt (Maturity - January 31, 2016)		1,806,860	1,789,641	1,789,641
13% Secured Debt (Maturity - January 31, 2016)		6,150,000	4,950,213	4,950,213
Warrants (Fully diluted 10.0%)			1,208,643	1,208,643
Common Stock (Fully diluted 15.5%)			2,499,876	2,499,876
			11,432,295	11,432,295
<b>Vision Interests, Inc.</b>				
	Manufacturer/Installer of Commercial Signage			
2.6% Current /10.4% PIK Secured Debt (Maturity - June 5, 2012)		9,400,000	8,424,811	5,259,409
2.6% Current /10.4% PIK Secured Debt (Maturity - June 5, 2016)		760,000	740,587	740,587
Warrants (Fully diluted 38.2%)			160,010	
Common Stock (Fully diluted 22.3%)			372,000	
			9,697,408	5,999,996
<b>Ziegler s NYPD, LLC</b>				
	Casual Restaurant Group			

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Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (8)	1,000,000	995,441	995,441
13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)	4,986,977	4,948,426	4,948,426
Warrants (Fully diluted 46.6%)		600,000	539,500
		6,543,867	6,483,367
<b>Subtotal Control Investments (34.7% of total investments at fair value)</b>		193,683,126	219,026,676

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**(Unaudited)**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Affiliate Investments (4)</u></b>				
<b>American Sensor Technologies, Inc.</b>	Manufacturer of Commercial/Industrial Sensors			
9% Secured Debt (Maturity - May 31, 2012)		3,045,808	3,034,982	3,034,982
Warrants (Fully diluted 19.6%)			49,990	2,690,000
			3,084,972	5,724,982
<b>Audio Messaging Solutions, LLC</b>	Audio Messaging Services			
12% Secured Debt (Maturity - June 16, 2016)		13,475,000	12,990,614	13,341,000
Warrants (Fully diluted 9.8%)			886,933	2,620,000
			13,877,547	15,961,000
<b>Compact Power Equipment Centers LLC</b>	Light to Medium Duty Equipment Rental			
6% Current / 6% PIK Secured Debt (Maturity - December 31, 2014)		2,811,819	2,786,965	2,786,965
8% PIK Secured Debt (Maturity - December 31, 2011)		44,118	44,118	44,118
Series A Member Units (8% cumulative) (7)			836,332	836,332
Member Units (Fully diluted 10.6%)			1,147	1,147
			3,668,562	3,668,562
<b>DrillingInfo, Inc.</b>	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity - November 20, 2014)		8,000,000	7,003,118	8,000,000
8.75% Secured Debt (Maturity - April 18, 2016)		750,000	750,000	750,000
Warrants (Fully diluted 4.9%)			1,250,000	9,580,000
Common Stock (Fully diluted 2.4%)			1,335,325	4,520,325
			10,338,443	22,850,325
<b>East Teak Fine Hardwoods, Inc.</b>	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	380,000
<b>Houston Plating &amp; Coatings, LLC</b>	Plating & Industrial Coating			
Member Units (Fully diluted 11.1%) (7)			635,000	4,740,000
<b>Integrated Printing Solutions, LLC</b>	Commercial Printing			
13% Secured Debt (Maturity - September 23, 2016)		10,000,000	9,200,000	9,200,000
Warrants (Fully diluted 9.0%)			600,000	600,000
			9,800,000	9,800,000

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<b>IRTH Holdings, LLC</b>	Utility Technology Services			
12% Secured Debt (Maturity - December 29, 2015)		5,383,940	5,297,323	5,383,940
Member Units (Fully diluted 22.3%)			850,000	2,090,000
			6,147,323	7,473,940
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products			
10% Secured Debt (Maturity - March 31, 2012)		139,940	139,940	139,940
14% Secured Debt (Maturity - January 23, 2014)		5,250,000	5,250,000	5,250,000
Member Units (Fully diluted 18.8%) (7)			340,833	2,540,000
			5,730,773	7,929,940
<b>Laurus Healthcare, LP</b>	Healthcare Facilities / Services			
9% Secured Debt (Maturity - May 12, 2016)		5,900,000	5,900,000	5,900,000
Class A and C Units (Fully diluted 13.1%) (7)			79,505	5,430,000
			5,979,505	11,330,000
<b>Merrick Systems, Inc.</b>	Software and Information Technology			
13% Secured Debt (Maturity - May 5, 2015)		2,900,000	2,511,022	2,680,000
Warrants (Fully diluted 6.5%)			450,000	880,000
			2,961,022	3,560,000
<b>Olympus Building Services, Inc.</b>	Custodial/Facilities Services			
12% Secured Debt (Maturity - March 27, 2014)		3,150,000	2,966,886	3,050,000
12% Current / 3% PIK Secured Debt (Maturity - March 27, 2014)		1,006,387	1,006,387	1,006,387
Warrants (Fully diluted 22.5%)			470,000	70,000
			4,443,273	4,126,387

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**September 30, 2011**

**(Unaudited)**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Affiliate Investments (4)</u></b>				
<b>OnAsset Intelligence, Inc.</b>	Transportation Monitoring/Tracking Services			
12% Secured Debt (Maturity - October 18, 2012)		1,500,000	797,082	797,082
Preferred Stock (7% cumulative) (Fully diluted 5.75%) (7)			1,548,802	1,548,802
Warrants (Fully diluted 4.0%)			830,000	830,000
			3,175,884	3,175,884
<b>OPI International Ltd.</b>				
	Oil and Gas Construction Services			
12% Secured Debt (Maturity - November 30, 2015)		11,520,000	10,863,840	11,130,000
Warrants (Fully diluted 8.0%)			500,000	4,100,006
			11,363,840	15,230,006
<b>Schneider Sales Management, LLC</b>				
	Sales Consulting and Training			
13% Secured Debt (Maturity - October 15, 2013)		3,567,542	3,489,127	250,000
Warrants (Fully diluted 20.0%)			45,000	
			3,534,127	250,000
<b>SYNEO, LLC</b>				
	Manufacturer of Specialty Cutting Tools and Punches			
13.5% Secured Debt (Maturity - July 13, 2016)		5,500,000	5,367,784	5,390,000
10% Secured Debt (Maturity - May 4, 2026)		1,440,000	1,411,542	1,411,542
Member Units (Fully diluted 11.1%)			1,000,000	1,000,000
			7,779,326	7,801,542
<b>Walden Smokey Point, Inc.</b>				
	Specialty Transportation			
Common Stock (Fully diluted 12.6%)			1,426,667	3,460,000
<b>WorldCall, Inc.</b>				
	Telecommunication/Information Services			
13% Secured Debt (Maturity - April 22, 2012)		646,225	646,225	646,225
Common Stock (Fully diluted 10.0%)			296,631	
			942,856	646,225
<b>Subtotal Affiliate Investments (20.4% of total investments at fair value)</b>			95,369,438	128,108,793

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2011

(Unaudited)

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Non-Control/Non-Affiliate Investments (5)</b>				
<b>Affinity Videonet, Inc.</b>	Videoconferencing Services			
13% Secured Debt (Maturity - December 31, 2015)		2,000,000	1,908,783	2,000,000
13% Current / 1% PIK Secured Debt (Maturity - December 31, 2015)		1,623,207	1,613,270	1,613,270
Warrants (Fully diluted 2.6%)			62,500	62,500
			3,584,553	3,675,770
<b>Arrowhead General Insurance Agency, Inc. (9)</b>	Insurance			
LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - March 4, 2017) (8)		3,980,000	3,906,486	3,900,400
LIBOR Plus 9.5%, Current Coupon 11.25%, Secured Debt (Maturity - September 30, 2017) (8)		2,000,000	1,942,837	1,955,000
			5,849,323	5,855,400
<b>Business Development Corporation of America</b>	Business Development Company			
LIBOR Plus 3.50%, Current Coupon 3.69%, Secured Debt (Maturity - January 14, 2013)		2,200,000	2,200,000	2,200,000
<b>Bourland &amp; Leverich Supply Co., LLC (9)</b>	Distributor of Oil & Gas Tubular Goods			
LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity - August 19, 2015) (8)		4,268,751	4,094,560	4,226,063
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media			
14% Secured Debt (Maturity - April 30, 2015)		6,855,193	6,723,772	6,723,772
<b>CHI Overhead Doors, Inc. (9)</b>	Manufacturer of Overhead Garage Doors			
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (8)		2,500,000	2,450,549	2,462,500
LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (8)		2,500,000	2,450,435	2,462,500
			4,900,984	4,925,000
<b>Fairway Group Acquisition (9)</b>	Retail Grocery			
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 3, 2017) (8)		7,481,250	7,417,238	7,088,484
<b>Fram Group Holdings Inc. (9)</b>	Automotive Maintenance Products			

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LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (8)	1,000,000	995,114	998,750
LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (8)	1,000,000	995,090	985,000
		1,990,204	1,983,750
<b>Global Tel*Link Corporation (9)</b>			
	Communications		
LIBOR Plus 11.25%, Current Coupon 13.00%, Secured Debt (Maturity - May 10, 2017) (8)	3,000,000	2,946,252	3,022,500
<b>Golden Nugget, LLC (9)</b>			
	Hotel/Casino		
LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - May 24, 2016) (8)	10,000,000	9,620,376	9,450,000
<b>Gundle/SLT Environmental, Inc. (9)</b>			
	Environmental Services		
LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 24, 2016) (8)	2,992,500	2,964,251	2,857,837
LIBOR Plus 9.50%, Current Coupon 13.00%, Secured Debt (Maturity - November 23, 2016) (8)	4,000,000	3,923,349	3,860,000
		6,887,600	6,717,837
<b>Hayden Acquisition, LLC</b>			
	Manufacturer of Utility Structures		
8% Secured Debt (Maturity - October 1, 2011)	1,800,000	1,781,303	
<b>Hoffmaster Group, Inc. (9)</b>			
	Manufacturer of Specialty Tabletop Products		
LIBOR Plus 5.00%, Current Coupon 7.00%, Secured Debt (Maturity - June 2, 2016) (8)	1,480,769	1,432,230	1,447,452
13.50% Secured Debt (Maturity - June 2, 2017)	5,000,000	4,890,140	4,525,000
		6,322,370	5,972,452
<b>Managed Health Care Associates, Inc. (9)</b>			
	Healthcare Products		
LIBOR Plus 3.25%, Current Coupon 3.44%, Secured Debt (Maturity - August 1, 2014)	2,987,606	2,590,778	2,726,190

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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Non-Control/Non-Affiliate Investments (5)</u></b>				
<b>Megapath Inc. (9)</b>	Communications			
LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity - November 3, 2015) (8)		3,700,000	3,636,757	3,681,500
<b>Miramax Film NY, LLC (9)</b>	Motion Picture Producer and Distributor			
LIBOR Plus 11.00%, Current Coupon 13.00%, Secured Debt (Maturity - December 22, 2016) (8)		4,000,000	3,926,849	4,055,000
Class B Units (Fully diluted 0.2%)			500,000	500,000
			4,426,849	4,555,000
<b>Northland Cable Television, Inc. (9)</b>	Cable Broadcasting			
LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (8)		4,962,500	4,830,566	4,714,375
<b>Physician Oncology Services, LP (9)</b>	Healthcare Services			
LIBOR Plus 4.75%, Current Coupon 7.00%, Secured Debt (Maturity - January 31, 2017) (8)		941,962	933,366	899,574
<b>Pierre Foods, Inc. (9)</b>	Foodservice Supplier			
LIBOR Plus 5.25%, Current Coupon 7.50%, Secured Debt (Maturity - September 30, 2016) (8)		4,950,000	4,864,878	4,846,347
LIBOR plus 9.50%, Current Coupon 11.75%, Secured Debt (Maturity - September 29, 2017) (8)		2,000,000	1,937,154	2,000,000
			6,802,032	6,846,347
<b>Shearer s Foods, Inc. (9)</b>	Manufacturer of Food / Snacks			
12.00% current / 3.75% PIK Secured Debt (Maturity - March 31, 2016)		4,221,848	4,135,782	4,116,302
<b>Sourcehov LLC (9)</b>	Outsource/Consulting Services			
LIBOR Plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity - April 28, 2017) (8)		3,000,000	2,899,255	2,692,500
LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - April 30, 2018) (8)		3,000,000	2,868,874	2,685,015
			5,768,129	5,377,515
<b>SNL Financial LC (9)</b>	Financial Information Services			
		2,000,000	1,941,015	1,975,000



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LIBOR Plus 7.00%, Current Coupon 8.50%,  
Secured Debt (Maturity - August 17, 2018) (8)

<b>Support Systems Homes, Inc.</b>	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity - August 31, 2018)		576,600	576,600	576,600

<b>The Tennis Channel, Inc.</b>	Sports Broadcasting/Media			
LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity - January 1, 2013) (8)		10,502,286	11,124,550	11,124,550
Warrants (Fully diluted 0.1%)			235,467	235,467
			11,360,017	11,360,017

<b>Ultrerra Drilling Technologies, L.P. (9)</b>	Oilfield Services			
LIBOR Plus 7.50%, Current Coupon 9.75%, Secured Debt (Maturity - June 9, 2016) (8)		7,406,250	7,265,662	7,221,094
LIBOR Plus 6.50%, Current Coupon 9.75%, Secured Debt (Maturity - June 9, 2016) (8)		1,848,367	1,800,886	1,744,359
			9,066,548	8,965,453

<b>UniTek Global Services, Inc. (9)</b>	Telecommunications			
LIBOR Plus 7.50%, Current Coupon 9.75%, Secured Debt (Maturity - April 15, 2018) (8)		9,975,000	9,690,946	9,775,500

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<b><u>Non-Control/Non-Affiliate Investments (5)</u></b>				
<b>Vision Solutions, Inc. (9)</b>	Computers & Electronics			
LIBOR Plus 4.50%, Current Coupon 7.75%, Secured Debt (Maturity - July 23, 2016) (8)		4,875,000	4,825,049	4,680,000
LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (8)		5,000,000	4,953,038	4,825,000
			9,778,087	9,505,000
<b>Walter Investment Management Corp. (9)</b>				
	Real Estate			
LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (8)		3,000,000	2,941,770	2,930,640
LIBOR Plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity - December 30, 2016) (8)		3,000,000	2,941,901	2,919,390
			5,883,671	5,850,030
<b>Other Non-Control/Non-Affiliate Investments (10)</b>				
		5,000,000	5,335,016	5,172,521
<b>Subtotal Non-Control/Non-Affiliate Investments (23.4% of total investments at fair value)</b>			151,074,694	147,937,952
<b>Main Street Capital Partners, LLC (Investment Manager) (0.3% of total investments at fair value)</b>				
	Asset Management			
100% of Membership Interests			4,284,042	1,916,322
<b>Total Portfolio Investments, September 30, 2011</b>			\$ 444,411,300	\$ 496,989,743

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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Marketable Securities and Idle Funds Investments</u></b>	Investments in Secured and Rated Debt Investments			
<b>Academy, Ltd.</b> LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - August 3, 2018) (8)		\$ 5,000,000	\$ 4,980,379	\$ 4,796,875
<b>AL Gulf Coast Terminals, LLC</b> LIBOR Plus 5.00%, Current Coupon 6.75%, Secured Debt (Maturity - July 22, 2016) (8)		\$ 6,523,771	\$ 6,368,390	\$ 6,556,389
<b>API Technologies Corp.</b> LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - June 27, 2016) (8)		2,492,647	2,408,617	2,368,015
<b>ATI Acquisition I Corp.</b> LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity - March 11, 2016) (8)		2,851,663	2,812,683	2,750,073
<b>Brickman Group Holdings, Inc.</b> LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity - October 14, 2016) (8)		1,994,975	1,965,828	1,971,704
<b>Carestream Health, Inc.</b> LIBOR Plus 3.50%, Current Coupon 5.0%, Secured Debt (Maturity - February 25, 2017) (8)		2,992,336	2,700,412	2,521,043
<b>Centerplate, Inc.</b> LIBOR Plus 8.50%, Current Coupon 10.75%, Secured Debt (Maturity - September 16, 2016) (8)		2,977,500	2,900,574	2,960,126
<b>Helm Financial Corporation</b> LIBOR Plus 5.00%, Current Coupon 7.25%, Secured Debt (Maturity - June 1, 2017) (8)		1,990,000	1,970,988	1,930,300
<b>Henniges Automotive Holdings, Inc.</b> LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity - October 28, 2016) (8)		2,875,000	2,823,718	2,823,718
<b>Il Fornaio Corporation</b> LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (8)		1,995,000	1,985,475	1,951,359
<b>Ipreo Holdings LLC</b> LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - August 5, 2017) (8)		5,000,000	4,902,643	4,725,000
<b>JJ Lease Funding Corp.</b> LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - April 29, 2017) (8)		4,000,000	3,886,826	3,810,000
<b>Lawson Software, Inc.</b> LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - July 5, 2017) (8)		5,000,000	4,806,537	4,748,225
<b>Medpace Intermediateco, Inc.</b>				

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LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 17, 2017) (8)	4,987,500	4,915,192	4,763,062
<b>MLM Holdings, Inc.</b>			
LIBOR Plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity - December 1, 2016) (8)	6,930,000	6,838,594	6,808,725
<b>Mood Media Corporation</b>			
LIBOR Plus 5.50%, Current Coupon 7.75%, Secured Debt (Maturity - May 6, 2018) (8)	2,992,500	2,962,957	2,784,910
<b>MultiPlan, Inc.</b>			
LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity - August 26, 2017) (8)	3,846,154	3,846,154	3,655,462
<b>Ocwen Financial Corporation</b>			
LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - September 1, 2016) (8)	4,875,000	4,778,845	4,740,937
<b>Pacific Architects and Engineers Incorporated</b>			
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 4, 2017) (8)	5,000,000	4,905,426	4,825,000
<b>Phillips Plastic Corporation</b>			
LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 12, 2017) (8)	2,500,000	2,475,558	2,484,375
<b>Pretium Packaging Bond</b>			
11.50% Bond (Maturity - April 1, 2016)	1,500,000	1,500,000	1,470,000

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2011

(Unaudited)

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Marketable Securities and Idle Funds</u></b>				
<b><u>Investments</u></b>				
<b>Race Point Power, LLC</b>				
LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - January 11, 2018) (8)		4,724,965	4,639,225	4,624,559
<b>Radio One, Inc.</b>				
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (8)		2,985,000	2,930,184	2,875,197
<b>SonicWALL, Inc.</b>				
LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity - January 23, 2016) (8)		1,226,613	1,228,423	1,223,546
<b>Speedy Cash Intermediate Holdings Corp.</b>				
10.75% Bond (Maturity - May 15, 2018)		2,000,000	2,000,000	2,015,000
<b>Stackpole Powertrain International ULC</b>				
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - August 2, 2017) (8)		6,500,000	6,372,793	6,223,750
<b>Surgery Center Holdings, Inc.</b>				
LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (8)		4,975,000	4,951,566	4,701,375
<b>Totes Isotoner Corporation</b>				
LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (8)		4,988,672	4,892,009	4,807,833
<b>United Refining Bond</b>				
10.50% Bond (Maturity - February 28, 2017)		3,000,000	3,000,000	2,820,000
<b>VFH Parent LLC</b>				
LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - July 8, 2016) (8)		5,000,000	4,904,031	4,916,675
<b>Visant Corporation</b>				
LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (8)		4,962,500	4,962,500	4,554,483
<b>Wyle Services Corporation</b>				
LIBOR Plus 4.25%, Current Coupon 6.00%, Secured Debt (Maturity - March 26, 2017) (8)		3,904,668	3,882,460	3,781,670
<b>Yankee Cable Acquisition, LLC</b>				
LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - August 26, 2016) (8)		3,960,000	3,909,915	3,830,746
<b>Other Marketable Securities and Idle Funds</b>				
<b>Investments (11)</b>		12,837,172	13,100,348	12,907,562
<b>Subtotal Marketable Securities and Idle Funds</b>				
<b>Investments (21.2% of total investments at fair value)</b>			137,509,250	134,727,694

<b>Total Investments, September 30, 2011</b>	\$	581,920,550	\$	631,717,437
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- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
  - (2) See Note C for summary geographic location of portfolio companies.
  - (3) Controlled investments are defined by the Investment Company Act of 1940, as amended ( 1940 Act ) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
  - (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.
  - (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
  - (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
  - (7) Income producing through dividends or distributions.
  - (8) Index based floating interest rate is subject to contractual minimum interest rates.
  - (9) Private placement portfolio investment.
  - (10) Other Non-Control/Non-Affiliate investments consist of debt and equity investments in private placement portfolio investments.
  - (11) Other Marketable Securities and Idle Funds Investments consist of investments in secured and rated debt investments and diversified bond funds.

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

**December 31, 2010**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Control Investments (3)</b>				
<b>Café Brazil, LLC</b>	Casual Restaurant Group			
12% Secured Debt (Maturity - April 20, 2013)		2,000,000	1,997,439	2,000,000
Member Units (Fully diluted 41.0%) (7)			41,837	2,240,000
			2,039,276	4,240,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Billing and Records Management			
12% Secured Debt (Maturity - October 17, 2013)		7,303,000	6,937,251	6,985,748
Warrants (Fully diluted 20.4%)			1,193,333	3,380,333
Common Stock (Fully diluted 9.7%)			1,176,667	1,390,000
			9,307,251	11,756,081
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Certification Training Videos			
10% Secured Debt (Maturity - March 31, 2012)		775,000	775,000	775,000
14% Secured Debt (Maturity - December 31, 2013)		2,800,000	2,787,551	2,792,180
Member Units (Fully diluted 40.8%) (7)			1,299,520	3,450,000
			4,862,071	7,017,180
<b>Ceres Management, LLC (Lamb s)</b>	Aftermarket Automotive Services Chain			
14% Secured Debt (Maturity - May 31, 2013)		4,000,000	3,964,568	3,964,568
9.5% Secured Debt (Lamb s Real Estate Investment I, LLC) (Maturity - August 31, 2014)		1,225,000	1,225,000	1,225,000
Class B Member Units (15% cumulative compounding quarterly) (Non-voting) (7)			1,508,611	1,508,611
Member Units (Fully diluted 70%)			1,813,333	1,100,000
Member Units (Lamb s Real Estate Investment I, LLC) (Fully diluted 100%) (7)			625,000	625,000
			9,136,512	8,423,179
<b>Condit Exhibits, LLC</b>	Tradeshaw Exhibits/Custom Displays			
9% current / 9% PIK Secured Debt (Maturity - July 1, 2013)		4,660,948	4,619,659	4,619,659
Warrants (Fully diluted 47.9%)			320,000	50,000
			4,939,659	4,669,659

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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Control Investments (3)</b>				
<b>Currie Acquisitions, LLC</b>	Manufacturer of Electric Bicycles/Scooters			
12% Secured Debt (Maturity - March 1, 2015)		4,750,000	3,971,699	3,971,699
Warrants (Fully diluted 47.3%)			2,566,204	2,340,204
			6,537,903	6,311,903
<b>Gulf Manufacturing, LLC</b>	Industrial Metal Fabrication			
8% Secured Debt (Maturity - August 31, 2014)		3,620,000	3,620,000	3,620,000
13% Secured Debt (Maturity - August 31, 2012)		1,680,000	1,649,959	1,675,165
9% PIK Secured Debt (Maturity - June 30, 2017)		1,420,784	1,420,784	1,420,784
Member Units (Fully diluted 34.2%) (7)			2,979,813	5,870,000
			9,670,556	12,585,949
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators			
12% Secured Debt (Maturity - June 4, 2015)		6,000,000	5,255,101	5,255,101
Warrants (Fully diluted 35.2%)			717,640	717,640
Mandatorily Redeemable Preferred Stock			1,000,000	1,000,000
			6,972,741	6,972,741
<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/ Logistics			
Member Units (Fully diluted 59.1%) (7)			692,500	1,250,000
Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (7)			1,214,784	1,214,784
			1,907,284	2,464,784
<b>Hydratec, Inc.</b>	Agricultural Services			
Common Stock (Fully diluted 92.5%) (7)			7,087,911	9,177,911
<b>Indianapolis Aviation Partners, LLC</b>	FBO / Aviation Support Services			
12% Secured Debt (Maturity - September 15, 2014)		4,500,000	4,140,255	4,350,000
Warrants (Fully diluted 30.1%)			1,129,286	1,570,286
			5,269,541	5,920,286



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

**December 31, 2010**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Control Investments (3)</u></b>				
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry			
Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2011)		2,260,000	2,256,486	2,260,000
13% Current / 6% PIK Secured Debt (Maturity - November 14, 2011)		2,344,897	2,340,040	2,344,896
Member Units (Fully diluted 60.8%) (7)			811,000	1,060,000
			5,407,526	5,664,896
<b>Mid-Columbia Lumber Products, LLC</b>				
	Specialized Lumber Products			
10% Secured Debt (Maturity - April 1, 2012)		1,250,000	1,250,000	1,250,000
12% Secured Debt (Maturity - December 18, 2011)		3,900,000	3,803,664	3,900,000
9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)		1,107,400	1,107,400	1,107,400
Warrants (Fully diluted 25.5%)			250,000	740,000
Member Units (Fully diluted 26.7%)			500,000	770,000
Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%)			250,000	250,000
			7,161,064	8,017,400
<b>NAPCO Precast, LLC</b>				
	Precast Concrete Manufacturing			
18% Secured Debt (Maturity - February 1, 2013)		5,923,077	5,860,313	5,923,077
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2013) (8)		3,384,615	3,368,600	3,384,615
Member Units (Fully diluted 35.3%) (7)			2,020,000	4,340,000
			11,248,913	13,647,692
<b>NTS Holdings, Inc.</b>				
	Trench & Traffic Safety Equipment			
12% Secured Debt (Maturity - April 30, 2015)		6,000,000	5,963,931	5,963,931
Preferred Stock (12% cumulative, compounded quarterly) (7)			10,635,273	10,635,273
Common Stock (Fully diluted 72.3%)			1,621,255	776,000
			18,220,459	17,375,204

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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Control Investments (3)</b>				
<b>OMi Holdings, Inc.</b> Manufacturer of Overhead Cranes				
12% Secured Debt (Maturity - April 1, 2013)		10,170,000	10,116,824	10,116,824
Common Stock (Fully diluted 48.0%)			1,080,000	500,000
			11,196,824	10,616,824
<b>PPL RVs, Inc.</b> RV Aftermarket Consignment/Parts				
18% Secured Debt (Maturity - June 10, 2015)		6,250,000	6,165,058	6,165,058
Common Stock (Fully diluted 50.1%)			2,150,000	2,150,000
			8,315,058	8,315,058
<b>The MPI Group, LLC</b> Manufacturer of Custom Hollow Metal Doors, Frames and Accessories				
4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013)		507,625	501,176	501,176
6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)		5,101,667	4,935,760	4,935,760
Warrants (Fully diluted 47.1%)			895,943	190,000
			6,332,879	5,626,936
<b>Thermal &amp; Mechanical Equipment, LLC</b> Heat Exchange / Filtration Products and Services				
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (8)		1,750,000	1,739,152	1,739,152
13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)		5,575,220	5,501,111	5,575,220
Warrants (Fully diluted 50.0%)			1,000,000	1,940,000
			8,240,263	9,254,372
<b>Uvalco Supply, LLC</b> Farm and Ranch Supply				
Member Units (Fully diluted 42.8%) (7)			1,113,243	1,560,000
<b>Vision Interests, Inc.</b> Manufacturer/Installer of Commercial Signage				
2.6% Current /10.4% PIK Secured Debt (Maturity - June 5, 2012)		9,400,000	8,424,811	8,022,651
2.6% Current /10.4% PIK Secured Debt (Maturity - June 5, 2016)		760,000	739,663	739,663
Warrants (Fully diluted 38.2%)			160,010	
Common Stock (Fully diluted 22.3%)			372,000	
			9,696,484	8,762,314
<b>Ziegler s NYPD, LLC</b> Casual Restaurant Group				
Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (8)		1,000,000	993,937	993,937
13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)		4,801,810	4,752,088	4,752,088
Warrants (Fully diluted 46.6%)			600,000	470,000
			6,346,025	6,216,025
<b>Subtotal Control Investments</b>			161,009,443	174,596,394



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

**December 31, 2010**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Affiliate Investments (4)</u></b>				
<b>American Sensor Technologies, Inc.</b>	Manufacturer of Commercial/Industrial Sensors			
9% Current / 2% PIK Secured Debt (Maturity - May 31, 2012)		3,536,182	3,514,113	3,514,113
Warrants (Fully diluted 19.6%)			49,990	1,830,000
			3,564,103	5,344,113
<b>Audio Messaging Solutions, LLC</b>	Audio Messaging Services			
12% Secured Debt (Maturity - May 8, 2014)		7,700,000	7,356,395	7,426,299
Warrants (Fully diluted 8.4%)			468,373	1,280,000
			7,824,768	8,706,299
<b>Compact Power Equipment Centers, LLC</b>	Light to Medium Duty Equipment Rental			
6% Current / 6% PIK Secured Debt (Maturity - September 23, 2014)		3,153,971	3,120,950	3,120,950
Member Units (Fully diluted 11.5%)			1,147	1,147
			3,122,097	3,122,097
<b>DrillingInfo, Inc.</b>	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity - November 20, 2014)		8,000,000	6,832,370	7,770,000
Warrants (Fully diluted 5.0%)			1,250,000	4,010,000
Common Stock (Fully diluted 2.1%)			1,085,325	1,710,325
			9,167,695	13,490,325
<b>East Teak Fine Hardwoods, Inc.</b>	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	330,000
<b>Houston Plating &amp; Coatings, LLC</b>	Plating & Industrial Coating Services			
Prime Plus 2%, Current Coupon 5.25%, Debt (Maturity - July 18, 2013)		300,000	300,000	300,000
Member Units (Fully diluted 11.1%) (7)			335,000	3,025,000
			635,000	3,325,000
<b>IRTH Holdings, LLC</b>	Utility Technology Services			
12% Secured Debt (Maturity - December 29, 2015)		6,000,000	5,891,126	5,891,126
Member Units (Fully diluted 22.3%)			850,000	850,000
			6,741,126	6,741,126



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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Affiliate Investments (4)</b>				
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products			
10% Secured Debt (Maturity - March 31, 2011)		514,940	514,940	514,940
14% Secured Debt (Maturity - January 23, 2011)		5,250,000	5,241,999	5,241,999
Member Units (Fully diluted 18.8%) (7)			340,833	1,790,333
			6,097,772	7,547,272
<b>Laurus Healthcare, LP</b>	Healthcare Facilities / Services			
13% Secured Debt (Maturity - May 7, 2012)		2,275,000	2,275,000	2,275,000
13% Secured Debt (Maturity - December 31, 2011)		525,000	525,000	525,000
Warrants (Fully diluted 13.1%)			79,505	4,620,000
			2,879,505	7,420,000
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services			
Prime Plus 1% Secured Debt (Maturity - August 22, 2012) (8)		949,996	946,598	946,598
14% Secured Debt (Maturity - August 22, 2012)		1,760,101	1,723,326	1,723,326
Warrants (Fully diluted 17.0%)			54,000	
			2,723,924	2,669,924
<b>Merrick Systems, Inc.</b>	Software and Information Technology			
13% Secured Debt (Maturity - May 5, 2015)		3,000,000	2,540,849	2,540,849
Warrants (Fully diluted 6.5%)			450,000	450,000
			2,990,849	2,990,849

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

**December 31, 2010**

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

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

**December 31, 2010**

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





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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Non-Control/Non-Affiliate Investments (5)</u></b>				
<b>Hoffmaster Group, Inc. (9)</b>	Manufacturer of Specialty Tabletop Products			
LIBOR Plus 5.0%, Current Coupon 7%, Secured Debt (Maturity - June 13, 2016) (8)		1,509,615	1,453,860	1,490,745
13.5% Secured Debt (Maturity - June 3, 2017)		5,000,000	4,881,278	4,787,500
			6,335,138	6,278,245
<b>Managed Healthcare (9)</b>	Healthcare Products			
LIBOR Plus 3.25%, Current Coupon 3.53%, Secured Debt (Maturity - August 31, 2014)		1,987,606	1,548,214	1,659,650
<b>Megapath Inc. (9)</b>	Communications Technology			
LIBOR Plus 10%, Current Coupon 12%, Secured Debt (Maturity - November 4, 2015) (8)		4,000,000	3,922,670	4,040,770
<b>Miramax Film NY, LLC (9)</b>	Motion Picture Producer and Distributor			
LIBOR Plus 6%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2016) (8)		3,000,000	2,940,000	2,940,000
LIBOR Plus 11%, Current Coupon 13%, Secured Debt (Maturity - December 30, 2016) (8)		4,000,000	3,920,000	3,920,000
Class B Units (Fully diluted 0.2%)			500,000	500,000
			7,360,000	7,360,000
<b>Northland Cable Television, Inc. (9)</b>	Cable Broadcasting			
LIBOR Plus 8.0%, Current Coupon 8.26%, Secured Debt (Maturity - June 22, 2013)		5,000,000	4,851,285	4,988,785
<b>Pierre Foods, Inc. (9)</b>	Foodservice Supplier			
Base Plus 4.25%, Current Coupon 7.5%, Secured Debt (Maturity - September 30, 2016) (8)		5,000,000	4,903,804	4,992,702
Base Plus 8.5%, Current Coupon 11.75%, Secured Debt (Maturity - September 29, 2017) (8)		2,000,000	1,932,106	1,992,181
			6,835,910	6,984,883
<b>Rentech Energy Midwest Corporation (9)</b>	Manufacturer of Fertilizer			
LIBOR Plus 10%, Current Coupon 12.5%, Secured Debt (Maturity - July 29, 2014) (8)		2,331,606	2,274,262	2,274,262
<b>Shearers Foods, Inc. (9)</b>	Manufacturer of Food/Snacks			
12% Current / 3% PIK Secured Debt (Maturity - March 21, 2016)		4,092,707	3,999,396	4,154,098

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

**December 31, 2010**

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b><u>Non-Control/Non-Affiliate Investments (5)</u></b>				
<b>Standard Steel, LLC (9)</b>	Manufacturer of Steel Wheels and Axles			
12% Secured Debt (Maturity - April 30, 2015)		3,000,000	2,902,821	2,988,750
<b>Support Systems Homes, Inc.</b>	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity - August 21, 2018)		576,600	576,600	576,600
<b>Technical Innovations, LLC</b>	Manufacturer of Specialty Cutting Tools and Punches			
13.5% Secured Debt (Maturity - January 16, 2015)		2,950,000	2,919,118	2,950,000
<b>The Tennis Channel, Inc.</b>	Sports Broadcasting/Media			
LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity - January 1, 2013) (8)		9,198,840	9,230,938	9,230,938
Warrants (Fully diluted 0.10%)			211,938	211,938
			9,442,876	9,442,876
<b>Other Non-Control/Non-Affiliate Investments (10)</b>			105,000	105,000
<b>Subtotal Non-Control/Non-Affiliate Investments</b>			91,911,304	91,956,221
<b>Main Street Capital Partners, LLC (Investment Manager)</b>	Asset Management			
100% of Membership Interests			4,284,042	2,051,655
<b>Total Portfolio Investments, December 31, 2010</b>			\$ 322,855,578	\$ 348,811,074

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2010

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>	Investments in Secured and Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
<b>AL Gulf Coast Terminals, LLC</b> LIBOR Plus 5.0%, Current Coupon 6.75%, Secured Debt (Maturity - September 21, 2016) (8)		\$ 6,919,997	\$ 6,735,294	\$ 6,746,997
<b>Aspen Dental Management, Inc.</b> LIBOR Plus 5.0%, Current Coupon 8.25%, Secured Debt (Maturity - October 13, 2016) (8)		4,987,500	4,691,670	4,806,974
<b>ATI Acquisition I Corp.</b> LIBOR Plus 5.5%, Current Coupon 7.5%, Secured Debt (Maturity - September 14, 2016) (8)		2,885,675	2,841,517	2,857,332
<b>Booz Allen Hamilton Inc.</b> 13% Debt (Maturity - July 5, 2016)		1,716,044	1,781,625	1,765,380
<b>Centerplate, Inc.</b> LIBOR Plus 7.5%, Current Coupon 10.75%, Secured Debt (Maturity - September 16, 2016) (8)		3,000,000	2,914,206	2,988,750
<b>CHG Companies, Inc.</b> LIBOR Plus 5.5%, Current Coupon 7.25%, Secured Debt (Maturity - October 14, 2016) (8)		1,975,000	1,937,558	1,996,754
<b>Excelitas Technologies Corp.</b> LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - December 2, 2016) (8)		3,000,000	2,971,096	3,020,771
<b>Gentiva Health Services, Inc.</b> LIBOR Plus 5.0%, Current Coupon 6.75%, Secured Debt (Maturity - September 20, 2016) (8)		2,981,250	2,975,289	3,014,789
<b>Henniges Automotive Holdings, Inc.</b> LIBOR Plus 10.0%, Current Coupon 12%, Secured Debt (Maturity - December 7, 2016) (8)		3,000,000	2,941,308	2,941,308
<b>MLM Holdings, Inc.</b> LIBOR Plus 5.25%, Current Coupon 7%, Secured Debt (Maturity - December 1, 2016) (8)		6,982,500	6,879,686	6,897,406
<b>MultiPlan, Inc.</b> LIBOR Plus 4.75%, Current Coupon 6.5%, Secured Debt (Maturity - August 26, 2017) (8)		3,876,923	3,863,709	3,913,269
<b>Rite Aid Corporation</b> 7.5% Bond (Maturity - March 1, 2017)		2,000,000	1,889,335	1,845,874
<b>SonicWALL, Inc.</b>				

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LIBOR plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity - August 1, 2016) (8)	1,794,355	1,797,374	1,807,813
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Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Marketable Securities and Idle Funds</b>				
<b>Investments</b>				
<b>Terex Corporation</b>				
7.4% Bond (Maturity - January 15, 2014)		2,000,000	2,023,301	2,023,301
<b>Visant Corporation</b>				
LIBOR Plus 5.25%, Current Coupon 7%, Secured Debt (Maturity - December 28, 2016) (8)		4,987,500	4,891,963	5,057,003
<b>Vision Solutions, Inc.</b>				
LIBOR Plus 6.0%, Current Coupon 7.75%, Secured Debt (Maturity - July 23, 2016) (8)		1,925,000	1,612,010	1,631,338
<b>Western Refining Inc.</b>				
LIBOR Plus 7.5%, Current Coupon 10.75%, Secured Debt (Maturity - August 1, 2014) (8)		1,708,883	1,672,628	1,736,654
<b>Wyle Services Corporation</b>				
LIBOR Plus 4.0%, Current Coupon 6%, Secured Debt (Maturity - September 10, 2016) (8)		3,989,992	3,964,645	4,003,290
<b>Yankee Cable Acquisition, LLC</b>				
LIBOR Plus 4.5%, Current Coupon 6.5%, Secured Debt (Maturity - August 26, 2016) (8)		3,990,000	3,933,213	3,990,000
<b>Other Marketable Securities and Idle Funds</b>				
<b>Investments (11)</b>		5,529,450	5,653,480	5,707,855
<b>Subtotal Marketable Securities and Idle Funds Investments</b>			67,970,907	68,752,858
<b>Total Investments, December 31, 2010</b>			\$ 390,826,485	\$ 417,563,932

(1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) See Note C for summary geographic location of portfolio companies.

(3) Controlled investments are defined by the Investment Company Act of 1940, as amended ( 1940 Act ) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Controlled investments.

(5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(7) Income producing through dividends or distributions.

(8) Index based floating interest rate subject to contractual minimum interest rates.

(9) Private placement portfolio investment.

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

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

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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION**

**1. Organization**

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

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

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

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



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

**2. Basis of Presentation**

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ). For the three and nine months ended September 30, 2011 and 2010, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of Main Street's investments in lower middle market ( LMM ) portfolio companies, private placement portfolio investments, and the investment in the Investment Manager and excludes all Marketable securities and idle funds investments. The Investment Manager is accounted for as a portfolio investment (see Note D). Marketable securities and idle funds investments are classified as financial instruments and are reported separately on Main Street's Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.9). Main Street's results of operations for the three and nine months ended September 30, 2011 and 2010, cash flows for the nine months ended September 30, 2011 and 2010, and financial position as of September 30, 2011 and December 31, 2010, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation.

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In

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the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2010. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

***Portfolio Investment Classification***

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Valuation of Portfolio Investments**

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

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Main Street's portfolio strategy calls for it to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by private, middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM companies generally have no established trading market while privately placed debt securities generally have established markets that are not active. Main Street determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. For LMM investments, Main Street reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. For private placement portfolio investments, Main Street generally uses observable inputs such as quoted prices in the valuation process. Main Street's valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control investments are composed of equity and debt securities for which Main Street has a controlling interest in the portfolio company or has the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for Main Street's control investments. As a result, Main Street determines the fair value of control investments using a combination of market and income approaches. Under the market approach, Main Street will

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typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization ( EBITDA ), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, Main Street analyzes various factors, including the portfolio company's historical and projected financial results. Main Street allocates the enterprise value to investments in order of the legal priority of the investments. Main Street will also use the income approach to determine the fair value of these securities, based on projections of the discounted future free cash flows that the portfolio company or the debt security will likely generate. The valuation approaches for Main Street's control investments estimate the value of the investment if Main Street were to sell, or exit, the investment. In addition, these valuation approaches consider the value associated with Main Street's ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

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

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in an LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 31 LMM portfolio companies for the nine months ended September 30, 2011, representing approximately 66% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of September 30, 2011.

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

Due to the inherent uncertainty in the valuation process, Main Street's estimate of fair value may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance

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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 estimates the fair value of each individual investment and records changes in fair value as unrealized appreciation or depreciation.

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

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The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's estimate of the fair value for its portfolio investments consistent with the 1940 Act requirements. Main Street believes its portfolio investments as of September 30, 2011 and December 31, 2010 approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence at those reporting periods.

**2. Interest and Dividend Income**

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

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

As of September 30, 2011, Main Street had two investments on non-accrual status, which comprised approximately 1.3% of the total portfolio investments at fair value and 3.4% of the total portfolio investments at cost (or 1.0% and 2.6%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager. As of December 31, 2010, Main Street had two investments on non-accrual status, which comprised approximately 2.6% of the total portfolio investments at fair value and 3.6% of the total portfolio investments at cost (or 2.2% and 3.0%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager.

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

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

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

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

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

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**5. Share-Based Compensation**

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

**6. Income Taxes**

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

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

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

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.

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



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

### 8. Concentration of Credit Risks

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

### 9. Fair Value of Financial Instruments

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

The SBIC debentures remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. As part of the Exchange Offer Transactions, Main Street elected the fair value option under ASC 825, *Financial Instruments* ( ASC 825 ) relating to accounting for debt obligations at their fair value, for those SBIC debentures acquired (the Acquired

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Debentures ) as part of the acquisition accounting related to the Exchange Offer. In order to provide for a more consistent basis of presentation, Main Street has elected and will continue to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. Once the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to Net Change in Unrealized Appreciation (Depreciation) SBIC debentures as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is expensed.

**10. Earnings per Share**

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

As a result of the Exchange Offer Transactions, the net earnings attributable to the remaining externally owned noncontrolling interest in MSC II is excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II. The following table provides a reconciliation of Net Investment Income and Net Realized Income excluding amounts related to the remaining noncontrolling interest in MSC II for the three and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Investment Income	\$ 10,361,362	\$ 4,757,564	\$ 27,347,476	\$ 12,719,905
Noncontrolling interest share of Net Investment Income	(179,430)	(87,320)	(560,179)	(221,257)
Net Investment Income attributable to common stock	10,181,932	4,670,244	26,787,297	12,498,648
Total net realized gain (loss) from investments	1,447,750	(1,532,356)	1,718,864	(2,937,581)
Noncontrolling interest share of net realized (gain) loss from investments	(46,833)	21,103	(48,057)	75,152
Net Realized Income attributable to common stock	\$ 11,582,849	\$ 3,158,991	\$ 28,458,104	\$ 9,636,219
Net Investment Income per share - Basic and diluted	\$ 0.44	\$ 0.28	\$ 1.23	\$ 0.81
Net Realized Income per share - Basic and diluted	\$ 0.50	\$ 0.19	\$ 1.30	\$ 0.62
Weighted average shares outstanding - Basic and diluted	23,194,896	16,878,088	21,824,775	15,469,890

**11. Recently Issued Accounting Standards**

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

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

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

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

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

**Fair Value Hierarchy**

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

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

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

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

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

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- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and
- Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

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

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

As of September 30, 2011 and December 31, 2010, all of Main Street's private placement portfolio investments and marketable securities and idle funds investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments primarily consisted of observable inputs in

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non-active markets. As a result, all of Main Street's private placement portfolio investments and marketable securities and idle funds investments were categorized as Level 2 as of September 30, 2011 and December 31, 2010.

As of September 30, 2011 and December 31, 2010, all of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3. The fair value determination of each LMM portfolio investment required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- 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;

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- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

As of September 30, 2011 and December 31, 2010, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a yield approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument, as Main Street generally intends not to repay its SBIC debentures prior to maturity.

The following table provides a summary of changes in fair value of Main Street's Level 3 portfolio investments for the nine months ended September 30, 2011:

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Type of Investment	December 31, 2010 Fair Value	Accretion of Unearned Income	Redemptions/ Repayments/ Exits (1)	New Investments (1)	Net Unrealized Appreciation (Depreciation)	September 30, 2011 Fair Value
Debt	\$ 183,894,069	\$ 1,924,094	\$ (22,344,469)	\$ 62,313,469	\$ (4,302,586)	\$ 221,484,577
Equity	61,201,721		1,500,647	12,359,412	23,949,769	99,011,549
Equity warrants	25,080,963			4,631,427	10,103,096	39,815,486
Investment Manager	2,051,655				(135,333)	1,916,322
	\$ 272,228,408	\$ 1,924,094	\$ (20,843,822)	\$ 79,304,308	\$ 29,614,946	\$ 362,227,934

(1) Includes the impact of non-cash conversions

The following table provides a summary of changes for the Level 3 SBIC Debentures recorded at fair value for the nine months ended September 30, 2011:

Type of Instrument	December 31, 2010 Fair Value	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	September 30, 2011 Fair Value
SBIC Debentures at fair value	\$ 70,557,975	\$	\$	\$ 5,714,950	\$ 76,272,925

At September 30, 2011 and December 31, 2010, Main Street's investments and SBIC Debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

At September 30, 2011	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	\$ 371,671,628	\$	\$ 11,360,016	\$ 360,311,612
Private placement portfolio investments	123,401,793		123,401,793	
Investment in affiliated Investment Manager	1,916,322			1,916,322
Total portfolio investments	496,989,743		134,761,809	362,227,934
Marketable securities and idle funds investments	134,727,694		134,727,694	
Total investments	\$ 631,717,437	\$	\$ 269,489,503	\$ 362,227,934
SBIC Debentures at fair value	\$ 76,272,925	\$	\$	\$ 76,272,925



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

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For the nine months ended September 30, 2011, there were no transfers within the three fair value hierarchy levels.

**Portfolio Investment Composition**

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

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

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including level of new investment activity, repayment of a debt investment or sale of an equity interest. Investment income in any given year could be highly concentrated among several portfolio companies. For the nine months ended September 30, 2011, Main Street did not record investment income from any single LMM portfolio company in excess of 10% of total LMM investment income, and Main Street did not record investment income from any single private placement portfolio company in excess of 10% of total private placement investment income. For the nine months ended September 30, 2010, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of September 30, 2011, Main Street had debt and equity investments in 51 LMM portfolio companies with an aggregate fair value of \$371.7 million, with a total cost basis of approximately \$315.3 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.8%. Approximately 76% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and 93% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies as of September 30, 2011. At September 30, 2011, Main Street had equity ownership in approximately 94% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 34%. As of December 31, 2010, Main Street had debt and equity investments in 44 LMM portfolio companies with an aggregate fair value of \$279.6 million with a total cost basis of approximately \$253.0 million and a weighted average annual effective yield on its LMM debt investments of approximately 14.5%. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2011 and December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

As of September 30, 2011, Main Street had privately placed portfolio investments in 23 companies collectively totaling approximately \$123.4 million in fair value with a total cost basis of approximately \$124.8 million. The weighted average revenues for the 23 privately placed portfolio company investments were approximately \$359 million. Main Street's privately placed portfolio investments are primarily in the form of debt investments and 64% of such debt investments at cost were secured by first priority liens on portfolio company assets as of September 30, 2011. The weighted average annual effective yield on Main Street's privately placed portfolio debt investments was approximately 10.6% as of September 30, 2011. As of December 31, 2010, Main Street had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average

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revenues for the 16 privately placed portfolio company investments were approximately \$352 million. The weighted average annual effective yield on Main Street's privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2011 and December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

Summaries of the composition of Main Street's LMM investment portfolio, private placement investment portfolio, and total investment portfolio at cost and fair value as a percentage of the total LMM investment portfolio, the total private placement investment portfolio, and the total investment portfolio are shown in the following table:

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Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	70.3%	64.0%	68.5%	70.6%	71.3%	70.8%
Second lien debt	5.5%	36.0%	14.1%	6.7%	28.7%	11.2%
Equity	19.1%	0.0%	13.7%	17.7%	0.0%	14.1%
Equity warrants	5.1%	0.0%	3.7%	5.0%	0.0%	3.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	57.4%	64.2%	59.1%	62.6%	71.8%	64.4%
Second lien debt	4.9%	35.8%	12.6%	6.5%	28.2%	10.6%
Equity	28.6%	0.0%	21.5%	21.9%	0.0%	17.7%
Equity warrants	9.1%	0.0%	6.8%	9.0%	0.0%	7.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	48.9%	28.8%	43.2%	50.5%	12.5%	42.7%
West	33.0%	19.9%	29.3%	29.3%	13.4%	26.1%
Northeast	4.6%	26.4%	10.8%	6.0%	40.0%	13.0%
Midwest	5.4%	17.8%	8.9%	7.2%	29.6%	11.8%
Southeast	8.1%	7.1%	7.8%	7.0%	4.5%	6.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	53.8%	28.6%	47.4%	51.8%	12.7%	44.2%
West	28.9%	19.8%	26.6%	28.4%	13.4%	25.5%
Northeast	4.4%	26.7%	10.1%	6.2%	40.1%	12.8%
Midwest	5.7%	17.7%	8.7%	7.2%	29.3%	11.5%
Southeast	7.2%	7.2%	7.2%	6.4%	4.5%	6.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Main Street's LMM and private placement portfolio investments are in companies conducting business in a variety of industries. Set forth below are tables showing the composition of Main Street's LMM portfolio investments, private placement portfolio investments, and total portfolio investments by industry at cost and fair value as of September 30, 2011 and December 31, 2010:



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Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	17.3%	0.0%	12.4%	15.0%	0.0%	11.9%
Energy Equipment & Services	8.8%	10.5%	9.3%	6.3%	6.5%	6.4%
Media	9.6%	7.4%	9.0%	8.5%	18.6%	10.6%
Construction & Engineering	5.9%	7.8%	6.4%	7.2%	0.0%	5.8%
Health Care Providers & Services	7.6%	2.8%	6.2%	5.3%	2.3%	4.6%
Machinery	6.5%	3.9%	5.7%	11.0%	0.0%	8.7%
Software	2.9%	7.6%	4.3%	3.8%	0.0%	3.1%
Specialty Retail	5.7%	0.0%	4.1%	6.8%	0.0%	5.4%
Hotels, Restaurants & Leisure	2.6%	7.7%	4.1%	3.3%	0.0%	2.6%
Insurance	3.7%	4.7%	3.9%	0.0%	0.0%	0.0%
Electronic Equipment, Instruments & Components	5.1%	0.0%	3.6%	5.2%	0.0%	4.2%
Paper & Forest Products	2.5%	5.1%	3.2%	3.0%	9.7%	4.4%
Food & Staples Retailing	0.0%	11.4%	3.2%	0.0%	29.8%	6.1%
Internet Software & Services	3.3%	0.0%	2.4%	3.6%	0.0%	2.9%
Diversified Consumer Services	3.1%	0.0%	2.3%	5.2%	0.0%	4.1%
Building Products	2.9%	0.0%	2.1%	3.2%	0.0%	2.5%
Health Care Equipment & Supplies	2.5%	0.0%	1.8%	1.2%	0.0%	0.9%
Diversified Telecommunication Services	0.3%	5.3%	1.7%	0.4%	10.5%	2.5%
Trading Companies & Distributors	2.2%	0.0%	1.6%	3.3%	0.0%	2.6%
Transportation Infrastructure	2.2%	0.0%	1.6%	2.8%	0.0%	2.3%
Chemicals	0.0%	5.5%	1.6%	0.0%	3.5%	0.7%
Leisure Equipment & Products	2.1%	0.0%	1.5%	2.6%	0.0%	2.1%
Real Estate Management & Development	0.0%	4.7%	1.3%	0.0%	0.0%	0.0%
IT Services	0.0%	4.6%	1.3%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	4.1%	1.2%	0.0%	0.0%	0.0%
Food Products	0.0%	3.3%	0.9%	0.0%	6.1%	1.3%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.2%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.4%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other (1)	3.2%	3.6%	3.3%	2.3%	0.2%	1.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 2.0% of portfolio totals

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Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	15.2%	0.0%	11.4%	13.7%	0.0%	11.1%
Energy Equipment & Services	10.8%	10.7%	10.8%	7.2%	6.7%	7.1%
Media	8.2%	7.5%	8.0%	7.6%	18.4%	9.7%
Health Care Providers & Services	8.7%	3.0%	7.2%	7.1%	2.5%	6.2%
Construction & Engineering	6.5%	7.9%	6.9%	8.2%	0.0%	6.6%
Machinery	7.6%	4.1%	6.7%	10.8%	0.0%	8.7%
Internet Software & Services	6.2%	0.0%	4.6%	4.8%	0.0%	3.9%
Hotels, Restaurants & Leisure	3.1%	7.7%	4.3%	3.7%	0.0%	3.0%
Software	3.0%	7.5%	4.1%	3.5%	0.0%	2.8%
Insurance	3.1%	4.7%	3.5%	0.0%	0.0%	0.0%
Specialty Retail	4.5%	0.0%	3.4%	6.0%	0.0%	4.8%
Diversified Consumer Services	4.1%	0.0%	3.0%	5.5%	0.0%	4.4%
Electronic Equipment, Instruments & Components	4.0%	0.0%	3.0%	5.0%	0.0%	4.1%
Paper & Forest Products	2.4%	4.8%	3.0%	3.0%	9.4%	4.2%
Food & Staples Retailing	0.0%	11.3%	2.8%	0.0%	30.0%	5.8%
Trading Companies & Distributors	3.1%	0.0%	2.3%	3.3%	0.0%	2.7%
Health Care Equipment & Supplies	2.1%	0.0%	1.6%	1.1%	0.0%	0.9%
Transportation Infrastructure	2.1%	0.0%	1.6%	3.0%	0.0%	2.4%
Diversified						
Telecommunication Services	0.2%	5.4%	1.5%	0.2%	10.3%	2.2%
Chemicals	0.0%	5.4%	1.4%	0.0%	3.4%	0.7%
Building Products	1.7%	0.0%	1.3%	2.1%	0.0%	1.7%
Real Estate Management & Development	0.0%	4.7%	1.2%	0.0%	0.0%	0.0%
IT Services	0.0%	4.4%	1.1%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	4.0%	1.0%	0.0%	0.0%	0.0%
Food Products	0.0%	3.3%	0.8%	0.0%	6.2%	1.2%
Leisure Equipment & Products	0.6%	0.0%	0.4%	2.3%	0.0%	1.8%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.1%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.5%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other (1)	2.8%	3.6%	3.1%	1.9%	0.2%	1.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**(1) Various industries with each individually less than 2.0% of portfolio totals**

At September 30, 2011, Main Street had no LMM investments that were greater than 10% of its total LMM investment portfolio at fair value and no private placement investments that were greater than 10% of its total private placement investment portfolio at fair value. At December 31, 2010, Main Street had no investments that were greater than 10% of its total investment portfolio at fair value.

**NOTE D WHOLLY OWNED INVESTMENT MANAGER**

As part of the Formation Transactions, the Investment Manager became a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment since the Investment Manager is not an investment company and since it conducts a significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries. The Investment Manager receives recurring investment management fees from MSC II pursuant to a separate investment advisory agreement. The payments due under the investment advisory agreement were fixed at \$3.3 million per year, paid quarterly, until September 30, 2010. Subsequent to September 30, 2010, under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon the MSC II assets under management. Subsequent to the closing of the Exchange Offer, the investment in the Investment Manager was reduced to reflect the remaining pro rata portion of the MSC II equity and the related portion of the MSC II management fees that were not acquired by MSCC. The Investment Manager also receives certain management, consulting and advisory fees for providing these services to third parties, and collectively with the MSC II management fees attributable to the remaining noncontrolling interest in MSC II is referred to as the External Services. The portfolio investment in the Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street's Board of Directors, based on the same valuation methodologies applied to determine the original valuation. The valuation for the Investment Manager is based on the total estimated present value of the net cash flows received for the External Services, over the estimated dollar averaged life of the related investment management, advisory or consulting contract,



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and is also based on comparable public market transactions. The net cash flows utilized in the valuation of the Investment Manager exclude any revenues and expenses from MSCC and its subsidiaries, but include the revenues attributable to External Services, and are reduced by an estimated allocation of costs related to providing such External Services. Any change in fair value of the investment in the Investment Manager is recognized on Main Street's statement of operations as Unrealized appreciation (depreciation) in Investment in affiliated Investment Manager, with a corresponding increase (in the case of appreciation) or decrease (in the case of depreciation) to Investment in affiliated Investment Manager on Main Street's balance sheet. As part of the Exchange Offer Transactions, the investment in the Investment Manager was reduced \$13.7 million and recorded against Additional paid-in capital as an adjustment to the original valuation recorded as part of the Formation Transactions. Main Street believes that the valuation for the Investment Manager will generally decrease over the life of the investment management, advisory and consulting contracts attributable to third parties, absent obtaining additional recurring cash flows from performing External Services for other external investment entities or other third parties.

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

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

Pursuant to the support services agreement with MSCC, the Investment Manager is reimbursed by MSCC for its excess operating expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash operating expenses incurred by the Investment Manager, less fees that the Investment Manager receives pursuant to long-term investment advisory agreements and consulting agreements. Subsequent to the consolidation of MSC II in connection with the Exchange Offer, the management fees paid by MSC II to the Investment Manager are now included in Expenses reimbursed to affiliated Investment Manager on the statements of operations along with any additional net costs reimbursed by MSCC to the Investment Manager pursuant to the support services agreement. For the nine months ended September 30, 2011 and 2010, the expenses reimbursed by MSCC and management fees paid by MSC II to the Investment Manager totaled \$6.3 million and \$3.6 million, respectively.

In its separate stand-alone financial statements as summarized below, the Investment Manager recognized an \$18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of Pushdown Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase (SAB 54). Under SAB 54, push-down accounting is required in purchase transactions that result in an entity becoming substantially wholly owned. In this case, MSCC acquired 100% of the equity interests in the Investment Manager in the Formation Transactions. Because the \$18 million value attributed to MSCC's investment in the Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the \$18 million valuation of the Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. For the nine months ended September 30, 2011 and 2010, the Investment Manager recognized \$0.9 million and \$0.8 million of amortization expense in each respective period associated with the intangible asset. Amortization expense is not included in the expenses reimbursed by MSCC to the Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature.

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

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	As of September 30, 2011		As of December 31, 2010	
	(Unaudited)			
Cash	\$	304,529	\$	191,645
Accounts receivable		61,483		75,501
Accounts receivable - MSCC		3,105,001		15,124
Intangible asset (net of accumulated amortization of \$4,087,060 and \$3,209,740 as of September 30, 2011 and December 31, 2010, respectively)		13,912,940		14,790,260
Deposits and other		32,102		139,244
Total assets	\$	17,416,055	\$	15,211,774
Accounts payable and accrued liabilities	\$	3,647,687	\$	566,087
Equity		13,768,368		14,645,687
Total liabilities and equity	\$	17,416,055	\$	15,211,774

	Three Months Ended September 30, 2011		September 30, 2010		Nine Months Ended September 30, 2011		September 30, 2010	
	(Unaudited)				(Unaudited)			
Management fee income from Main Street Capital II	\$	651,763	\$	831,300	\$	1,804,698	\$	2,493,900
Other management advisory fees		298,184		136,955		472,559		327,050
Total income		949,947		968,255		2,277,257		2,820,950
Salaries, benefits and other personnel costs		(1,954,588)		(1,083,572)		(5,831,719)		(3,251,316)
Occupancy expense		(84,708)		(78,371)		(247,905)		(231,614)
Professional expenses		(38,610)		(2,262)		(127,928)		(67,642)
Amortization expense - intangible asset		(298,762)		(274,094)		(877,320)		(804,880)
Other expenses		(174,934)		(124,463)		(557,074)		(410,989)
Expense reimbursement from MSCC		1,302,893		320,413		4,487,369		1,140,611
Total net expenses		(1,248,709)		(1,242,349)		(3,154,577)		(3,625,830)
Net income	\$	(298,762)	\$	(274,094)	\$	(877,320)	\$	(804,880)

**NOTE E SBIC DEBENTURES**

SBIC debentures payable at September 30, 2011 and December 31, 2010 were \$220 million and \$180 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate as of September 30, 2011 and December 31, 2010 was 5.1% and 5.2%, respectively. The first principal maturity due under the existing SBIC debentures is in 2013, and the remaining weighted average duration as of September 30, 2011 is approximately 6.9 years. For the nine months ended September 30, 2011, Main Street recognized \$8.1 million in interest expense attributable to the SBIC debentures. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

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As of September 30, 2011, the recorded value of the SBIC debentures was \$201.3 million which consisted of (i) \$76.3 million recorded at fair value, or \$18.7 million less than the \$95.0 million face value of these SBIC debentures held in MSC II, and (ii) \$125 million reported at face value and held in MSMF. As of September 30, 2011, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately \$181.6 million, or \$38.4 million less than the \$220 million face value of the SBIC debentures.

### **NOTE F CREDIT FACILITY**

In June 2011, Main Street closed an expansion of its credit facility (the Credit Facility ) from \$100 million to \$155 million to provide additional liquidity to support future investment and operational activities. The \$55 million increase in total commitments included commitment increases by all six lenders currently participating in the Credit Facility. In addition to the \$55 million increase in total commitments, Main Street extended the maturity of the Credit Facility by one year to September 2014. The amended Credit

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Facility also contains an accordion feature that allows for a further increase in total commitments under the facility to \$200 million on the same terms and conditions as the existing lender commitments. Borrowings under the Credit Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At September 30, 2011, Main Street had \$114.0 million in borrowings outstanding under the Credit Facility. For the nine months ended September 30, 2011, Main Street recognized \$1.8 million in interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs. As of September 30, 2011, the interest rate on the Credit Facility was 2.72%, and Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE G FINANCIAL HIGHLIGHTS**

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Per Share Data:</b>		
Net asset value at beginning of period	\$ 13.06	\$ 11.96
Net investment income (1) (3)	1.23	0.81
Net realized gain (loss) from investments (1) (2) (3)	0.07	(0.19)
Net change in unrealized appreciation (1) (2) (3)	0.79	0.97
Income tax provision (1) (2) (3)	(0.15)	(0.04)
Bargain purchase gain (1)		0.32
Net increase in net assets resulting from operations (1)	1.94	1.87
Dividends paid to stockholders	(1.16)	(1.13)
Impact of monthly dividend declared as of September 30, 2011 and 2010 but paid on October 15, 2011 and 2010	(0.14)	(0.13)
Accretive effect of public stock offerings (issuing shares above NAV per share)	0.62	0.66
Accretive effect of Exchange Offer		0.24
Adjustment to investment in Investment Manager in connection with Exchange Offer Transactions		(0.73)
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.06	0.05
Other (4)	0.11	(0.06)
Net asset value at September 30, 2011 and 2010	\$ 14.49	\$ 12.73
Market value at September 30, 2011 and 2010	\$ 17.76	\$ 15.89
Shares outstanding at September 30, 2011 and 2010	23,219,348	18,666,187

(1) Based on weighted average number of common shares outstanding for the period.

(2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.

(3) Per share amounts are net of the earnings attributable to MSC II noncontrolling interest.

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(4) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

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	Nine Months Ended September 30,	
	2011	2010
Net asset value at end of period	\$ 336,540,116	\$ 237,690,626
Average net asset value	\$ 307,804,675	\$ 183,347,901
Average outstanding debt	\$ 273,000,000	\$ 147,584,249
Ratio of total expenses, including income tax expense, to average net asset value (1) (2) (3)	7.07%	7.00%
Ratio of operating expenses to average net asset value (1) (2)	6.03%	6.22%
Ratio of operating expenses, excluding interest expense, to average net asset value (1) (2)	2.96%	2.94%
Ratio of net investment income to average net asset value (1) (2)	8.70%	6.94%
Total return based on change in net asset value (1) (4)	17.26%	18.50%

(1) Not annualized.

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

(3) Total expenses are the sum of operating expenses and income tax expense. Income tax expense primarily relates to the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. Main Street is required to include deferred taxes in calculating its total expenses even though these deferred taxes are not currently payable.

(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, as divided by the beginning net asset value.

### **NOTE H DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

Main Street paid monthly dividends of \$0.125 per share for each month of January 2011 through March 2011 and monthly dividends of \$0.13 per share for each month of April 2011 through September 2011, totaling \$25.1 million, or \$1.155 per share, for the nine month period. During August 2011, Main Street declared and accrued a \$0.135 per share monthly dividend that was paid in October 2011. For the nine months ended September 30, 2010, Main Street paid total monthly dividends of approximately \$16.9 million, or \$1.125 per share, for the period.

The determination of the tax attributes for Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividends or return of capital.

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

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12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements. The principal purpose of the Taxable Subsidiaries is to permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to comply with the source income requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense or income tax benefit as a result of their ownership of various portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street's Consolidated Statement of Operations. For the nine months ended September 30, 2011, Main Street recognized an income tax provision of \$3.3 million primarily consisting of deferred tax expense related to net unrealized appreciation on certain portfolio investments held by the Taxable Subsidiaries.

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 nine months ended September 30, 2011 and 2010.



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	Nine Months Ended September 30,	
	2011	2010
	(estimated)	
Net increase in net assets resulting from operations	\$ 42,542,435	\$ 29,834,253
Share-based compensation expense	1,466,416	1,049,258
Net realized income allocated to noncontrolling interest	(608,237)	(146,105)
Net change in unrealized appreciation on investments	(16,778,197)	(15,941,254)
Bargain purchase gain		(4,890,582)
Income tax provision	3,302,102	779,907
Pre-tax book (income) loss not consolidated for tax purposes	(421,280)	5,985,652
Book income and tax income differences, including debt origination, structuring fees, dividends, and realized gains	3,547,475	1,323,650
Estimated taxable income	33,050,714	17,994,779
Taxable income earned in prior year and carried forward for distribution in current year	586,227	930,925
Ordinary taxable income earned in current period and carried forward for distribution	(8,564,128)	(2,042,457)
Dividend accrued as of September 30, 2011 and 2010 and paid on October 15, 2011 and 2010	3,134,612	2,333,273
Total distributions accrued or paid to common stockholders	\$ 28,207,425	\$ 19,216,520

The net deferred tax liability at September 30, 2011 was \$1.0 million and primarily related to timing differences from net unrealized appreciation from portfolio debt and equity investments as well as timing differences related to taxable income of equity investments in portfolio companies which are pass through entities for tax purposes. The net deferred tax asset at December 31, 2010 was \$2.0 million and primarily related to timing differences from recognition of unrealized depreciation and unrealized appreciation from portfolio debt and equity investments as well as timing differences from taxable income from equity investments in portfolio companies which are pass through entities for tax purposes.

### **NOTE I EXCHANGE OFFER**

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

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

Value of the stock consideration issued for limited partner interests acquired	\$ 19,934,296(1)
Fair value of noncontrolling limited partner interests	3,396,005(2)
Total stock consideration and noncontrolling interest value	23,330,301

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Fair value of MSC II assets and liabilities on January 7, 2010:	
Cash	2,489,920
Debt investments acquired at fair value	64,925,164
Equity investments acquired at fair value	14,930,614
Other assets	808,560
SBIC debentures at fair value	(53,139,092)
Deferred tax liability assumed	(82,827)
Other liabilities	(1,519,608)
Total fair value of MSC II net assets	28,412,731
Bargain purchase gain	5,082,430
Transaction costs associated with the Exchange Offer	(191,848)
Bargain purchase gain, net of transaction costs	\$ 4,890,582

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

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

Consummation of the Exchange Offer Transactions provided Main Street with access to additional long-term, low-cost leverage capacity through the SBIC program. The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the Stimulus Bill) increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to \$225 million for affiliated SBIC funds from the previous SBIC leverage cap of approximately \$137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between MSMF and MSC II. Main Street currently has access to an incremental \$5 million in SBIC leverage capacity, subject to the required capitalization of each of the Funds, in addition to the \$220 million of existing SBIC leverage at the Funds.

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**NOTE J COMMON STOCK**

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

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

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

**NOTE K DIVIDEND REINVESTMENT PLAN ( DRIP )**

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not opted out of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. Main Street has the option to satisfy the share requirements of the DRIP through the issuance of shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares will be valued based upon the final closing price of MSCC's common stock on the valuation date determined for each dividend by Main Street's Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs. Main Street's DRIP is administered by its transfer agent on behalf of Main Street's record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in Main Street's DRIP but may provide a similar dividend reinvestment plan.

For the nine months ended September 30, 2011, \$7.8 million of the total \$25.1 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 303,659 newly issued shares and with the purchase of 117,585 shares of common stock in the open market. For the nine months ended September 30, 2010, \$5.9 million of the total \$16.9 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 347,474 newly issued shares and with the purchase of 35,572 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE L SHARE-BASED COMPENSATION**

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

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares vest over a four-year period from the grant date and are expensed over the four-year service period starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors and the remaining shares of restricted stock available for issuance as of September 30, 2011.

Restricted stock authorized under the plan	2,000,000
Less restricted stock granted on:	
July 1, 2008	(245,645)
July 1, 2009	(99,312)
July 1, 2010	(149,357)
June 20, 2011	(117,728)
Restricted stock available for issuance as of September 30, 2011	1,387,958

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The following table summarizes the restricted stock issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over a one-year service period starting on the grant date.

Restricted stock authorized under the plan	200,000
Less restricted stock granted on:	
July 1, 2008	(20,000)
July 1, 2009	(8,512)
July 1, 2010	(7,920)
June 20, 2011	(6,584)
August 3, 2011	(1,658)
<b>Restricted stock available for issuance as of September 30, 2011</b>	<b>155,326</b>

For the nine months ended September 30, 2011 and 2010, Main Street recognized total share-based compensation expense of \$1.5 million and \$1.0 million, respectively, related to the restricted stock issued to Main Street employees and independent directors.

As of September 30, 2011, there was \$4.8 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 September 30, 2011.

### **NOTE M COMMITMENTS**

At September 30, 2011, Main Street had seven outstanding commitments to fund unused revolving loans for up to \$17.5 million in total.

### **NOTE N SUPPLEMENTAL CASH FLOW DISCLOSURES**

Listed below are the supplemental cash flow disclosures for the nine months ended September 30, 2011 and 2010:

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Interest paid	\$ 11,675,126	\$ 7,797,985
Taxes paid	\$ 165,571	\$ 187,740
<b>Non-cash financing activities:</b>		
Shares issued in connection with the MSC II Exchange Offer	\$	\$ 20,093,091
Shares issued pursuant to the DRIP	\$ 5,722,327	\$ 5,392,202

**NOTE O RELATED PARTY TRANSACTIONS**

As discussed further in Note D, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At September 30, 2011, the Investment Manager had a receivable of \$3.1 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

**NOTE P SUBSEQUENT EVENTS**

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

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**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The information in this section contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" and "Cautionary Statement Concerning Forward Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 11, 2011, for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the consolidated financial statements and related notes and other financial information included in the Annual Report on Form 10-K for the year ended December 31, 2010.*

**ORGANIZATION**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer" ) to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ( "MSC II" and, together with MSMF, the "Funds" ). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ( "MSC II GP" ), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC, and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note I to the consolidated financial statements). As of September 30, 2011, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding, including approximately 5% owned by affiliates of MSCC. We have submitted an exemptive relief application to the SEC to permit us to acquire the approximately 5% ownership in the total dollar value of the MSC II limited partnership interests held by affiliates of MSCC using the same valuation formula utilized in the Exchange Offer. There can be no assurance that we will obtain the exemptive relief or that if we do obtain such relief it will be obtained on the terms we have outlined in our request.

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

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



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

### OVERVIEW

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ( LMM ) companies, which we generally define as companies with annual revenues between \$10 million and \$100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based in the United States. Our principal investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM portfolio investments generally range in size from \$5 million to \$25 million.

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

As of September 30, 2011, we had debt and equity investments in 51 LMM portfolio companies with an aggregate fair value of \$371.7 million, with a total cost basis of approximately \$315.3 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. Approximately 76% of our total LMM portfolio investments at cost were in the form of debt investments and 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of September 30, 2011. At September 30, 2011, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 34%. As of December 31, 2010, we had debt and equity investments in 44 LMM portfolio companies with an aggregate fair value of \$279.6 million with a total cost basis of approximately \$253.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.5%. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2011 and December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

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

As of September 30, 2011, we had privately placed portfolio investments in 23 companies collectively totaling approximately \$123.4 million in fair value with a total cost basis of approximately \$124.8 million. The weighted average revenues for the 23 privately placed portfolio company investments were approximately \$359 million as of September 30, 2011. Our privately placed portfolio investments are primarily in the form of debt investments and 64% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our privately placed portfolio debt investments was approximately 10.6% as of September 30, 2011. As of December 31, 2010, we had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio company investments were approximately \$352 million. The weighted average annual effective yield on our privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010. The weighted average yield was computed using the effective interest rates for all debt investments at September 30, 2011 and December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

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

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level

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

For the nine months ended September 30, 2011, we paid dividends on a monthly basis totaling \$1.155 per share, or \$25.1 million. In August 2011, we declared monthly dividends for the fourth quarter of 2011 totaling \$0.405 per share representing an 8% increase compared to the monthly dividends for the fourth quarter of 2010. During 2010, we paid monthly dividends of \$0.125 per

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share, or \$1.50 per share for the entire year. Including the dividends declared for the fourth quarter of 2011, we will have paid approximately \$6.32 per share in cumulative dividends since our October 2007 initial public offering.

At September 30, 2011, we had \$25.1 million in cash and cash equivalents and \$134.7 million in marketable securities and idle funds investments. In June 2011, we closed an expansion of the three-year credit facility (the Credit Facility) from \$100 million to \$155 million to provide additional liquidity in support of future investment and operational activities. The \$55 million increase in total commitments included commitment increases by all six lenders currently participating in the Credit Facility. In addition to the \$55 million increase in total commitments, we extended the maturity of the Credit Facility by one year to September 2014. In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and estimated offering costs. In March 2011, we completed a follow-on public stock offering in which we sold 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share (or approximately 141% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

### **CRITICAL ACCOUNTING POLICIES**

#### *Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ). For the three and nine months ended September 30, 2011 and 2010, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of our portfolio investments in LMM companies, private placement portfolio investments, and our investment in the Investment Manager but excludes all of our Marketable securities and idle funds investments. Marketable securities and idle funds investments are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations for the three and nine months ended September 30, 2011 and 2010, cash flows for the nine months ended September 30, 2011 and 2010 and financial position as of September 30, 2011 and December 31, 2010, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation.

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2010. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

### *Portfolio Investment Valuation*

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of September 30, 2011 and December 31, 2010, approximately 75% and 78%, respectively, of our total assets represented investments in portfolio companies

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valued at fair value (including our investment in the Investment Manager). We are required to report our investments at fair value. We follow the provisions of the Accounting Standards Codification ( Codification or ASC ) 820, *Fair Value Measurements and Disclosures* ( ASC 820 ). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

Our portfolio strategy calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by private, middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM companies generally have no established trading market while privately placed debt securities generally have established markets that are not active. We determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. For LMM investments, we review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For private placement portfolio investments, we generally use observable inputs such as quoted prices in the valuation process. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

Our private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. For valuation purposes, all of our private

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placement portfolio investments are non-control investments and are composed of debt securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or independent pricing.

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

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realized on these investments to be materially different than the valuations currently assigned. We estimate the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

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

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

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

***Share-Based Compensation***



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

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

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result of their ownership of certain portfolio investments. This income tax expense, or benefit, is reflected in Main Street's Consolidated Statement of Operations.

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

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

**PORTFOLIO INVESTMENT COMPOSITION**

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

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

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

Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	70.3%	64.0%	68.5%	70.6%	71.3%	70.8%
Second lien debt	5.5%	36.0%	14.1%	6.7%	28.7%	11.2%
Equity	19.1%	0.0%	13.7%	17.7%	0.0%	14.1%
Equity warrants	5.1%	0.0%	3.7%	5.0%	0.0%	3.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
First lien debt	57.4%	64.2%	59.1%	62.6%	71.8%	64.4 %
Second lien debt	4.9%	35.8%	12.6%	6.5%	28.2%	10.6%
Equity	28.6%	0.0%	21.5%	21.9%	0.0%	17.7%
Equity warrants	9.1%	0.0%	6.8%	9.0%	0.0%	7.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	48.9%	28.8%	43.2%	50.5%	12.5%	42.7%
West	33.0%	19.9%	29.3%	29.3%	13.4%	26.1%
Northeast	4.6%	26.4%	10.8%	6.0%	40.0%	13.0%
Midwest	5.4%	17.8%	8.9%	7.2%	29.6%	11.8%
Southeast	8.1%	7.1%	7.8%	7.0%	4.5%	6.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Southwest	53.8%	28.6%	47.4%	51.8%	12.7%	44.2%
West	28.9%	19.8%	26.6%	28.4%	13.4%	25.5%
Northeast	4.4%	26.7%	10.1%	6.2%	40.1%	12.8%
Midwest	5.7%	17.7%	8.7%	7.2%	29.3%	11.5%
Southeast	7.2%	7.2%	7.2%	6.4%	4.5%	6.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Our LMM and private placement portfolio investments are in companies conducting business in a variety of industries. Set forth below are tables showing the composition of our LMM portfolio investments, private placement portfolio investments, and total portfolio investments by industry at cost and fair value as of September 30, 2011 and December 31, 2010:

Cost:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	17.3%	0.0%	12.4%	15.0%	0.0%	11.9%
Energy Equipment & Services	8.8%	10.5%	9.3%	6.3%	6.5%	6.4%
Media	9.6%	7.4%	9.0%	8.5%	18.6%	10.6%
Construction & Engineering	5.9%	7.8%	6.4%	7.2%	0.0%	5.8%
Health Care Providers & Services	7.6%	2.8%	6.2%	5.3%	2.3%	4.6%
Machinery	6.5%	3.9%	5.7%	11.0%	0.0%	8.7%
Software	2.9%	7.6%	4.3%	3.8%	0.0%	3.1%
Specialty Retail	5.7%	0.0%	4.1%	6.8%	0.0%	5.4%
Hotels, Restaurants & Leisure	2.6%	7.7%	4.1%	3.3%	0.0%	2.6%
Insurance	3.7%	4.7%	3.9%	0.0%	0.0%	0.0%
Electronic Equipment, Instruments & Components	5.1%	0.0%	3.6%	5.2%	0.0%	4.2%
Paper & Forest Products	2.5%	5.1%	3.2%	3.0%	9.7%	4.4%
Food & Staples Retailing	0.0%	11.4%	3.2%	0.0%	29.8%	6.1%
Internet Software & Services	3.3%	0.0%	2.4%	3.6%	0.0%	2.9%
Diversified Consumer Services	3.1%	0.0%	2.3%	5.2%	0.0%	4.1%
Building Products	2.9%	0.0%	2.1%	3.2%	0.0%	2.5%
Health Care Equipment & Supplies	2.5%	0.0%	1.8%	1.2%	0.0%	0.9%
Diversified Telecommunication Services	0.3%	5.3%	1.7%	0.4%	10.5%	2.5%
Trading Companies & Distributors	2.2%	0.0%	1.6%	3.3%	0.0%	2.6%
Transportation Infrastructure	2.2%	0.0%	1.6%	2.8%	0.0%	2.3%
Chemicals	0.0%	5.5%	1.6%	0.0%	3.5%	0.7%
Leisure Equipment & Products	2.1%	0.0%	1.5%	2.6%	0.0%	2.1%
Real Estate Management & Development	0.0%	4.7%	1.3%	0.0%	0.0%	0.0%
IT Services	0.0%	4.6%	1.3%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	4.1%	1.2%	0.0%	0.0%	0.0%
Food Products	0.0%	3.3%	0.9%	0.0%	6.1%	1.3%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.2%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.4%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other (1)	3.2%	3.6%	3.3%	2.3%	0.2%	1.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Various industries with each individually less than 2.0% of portfolio totals



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Fair Value:	September 30, 2011			December 31, 2010		
	LMM	Private Placement	Total	LMM	Private Placement	Total
Commercial Services & Supplies	15.2%	0.0%	11.4%	13.7%	0.0%	11.1%
Energy Equipment & Services	10.8%	10.7%	10.8%	7.2%	6.7%	7.1%
Media	8.2%	7.5%	8.0%	7.6%	18.4%	9.7%
Health Care Providers & Services	8.7%	3.0%	7.2%	7.1%	2.5%	6.2%
Construction & Engineering	6.5%	7.9%	6.9%	8.2%	0.0%	6.6%
Machinery	7.6%	4.1%	6.7%	10.8%	0.0%	8.7%
Internet Software & Services	6.2%	0.0%	4.6%	4.8%	0.0%	3.9%
Hotels, Restaurants & Leisure	3.1%	7.7%	4.3%	3.7%	0.0%	3.0%
Software	3.0%	7.5%	4.1%	3.5%	0.0%	2.8%
Insurance	3.1%	4.7%	3.5%	0.0%	0.0%	0.0%
Specialty Retail	4.5%	0.0%	3.4%	6.0%	0.0%	4.8%
Diversified Consumer Services	4.1%	0.0%	3.0%	5.5%	0.0%	4.4%
Electronic Equipment, Instruments & Components	4.0%	0.0%	3.0%	5.0%	0.0%	4.1%
Paper & Forest Products	2.4%	4.8%	3.0%	3.0%	9.4%	4.2%
Food & Staples Retailing	0.0%	11.3%	2.8%	0.0%	30.0%	5.8%
Trading Companies & Distributors	3.1%	0.0%	2.3%	3.3%	0.0%	2.7%
Health Care Equipment & Supplies	2.1%	0.0%	1.6%	1.1%	0.0%	0.9%
Transportation Infrastructure	2.1%	0.0%	1.6%	3.0%	0.0%	2.4%
Diversified						
Telecommunication Services	0.2%	5.4%	1.5%	0.2%	10.3%	2.2%
Chemicals	0.0%	5.4%	1.4%	0.0%	3.4%	0.7%
Building Products	1.7%	0.0%	1.3%	2.1%	0.0%	1.7%
Real Estate Management & Development	0.0%	4.7%	1.2%	0.0%	0.0%	0.0%
IT Services	0.0%	4.4%	1.1%	0.0%	0.0%	0.0%
Internet & Catalog Retail	0.0%	4.0%	1.0%	0.0%	0.0%	0.0%
Food Products	0.0%	3.3%	0.8%	0.0%	6.2%	1.2%
Leisure Equipment & Products	0.6%	0.0%	0.4%	2.3%	0.0%	1.8%
Oil, Gas & Consumable Fuels	0.0%	0.0%	0.0%	0.0%	5.8%	1.1%
Metals & Mining	0.0%	0.0%	0.0%	0.0%	4.5%	0.9%
Thriffs & Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
Other (1)	2.8%	3.6%	3.1%	1.9%	0.2%	1.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**(1) Various industries with each individually less than 2.0% of portfolio totals**

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

**PORTFOLIO ASSET QUALITY**

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

The following table shows the distribution of our LMM and privately placed portfolio investments (excluding the investment in our affiliated Investment Manager) on the 1 to 5 investment rating scale at fair value as of September 30, 2011 and December 31, 2010:



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Investment Rating	September 30, 2011		December 31, 2010	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(dollars in thousands)			
1	\$ 104,058	21.0%	\$ 52,147	15.0%
2	226,106	45.6%	153,408	44.2%
3	149,507	30.2%	122,249	35.3%
4	15,153	3.1%	17,705	5.1%
5	250	0.1%	1,250	0.4%
Totals	\$ 495,074	100.0%	\$ 346,759	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio was approximately 2.2 as of September 30, 2011 and approximately 2.3 as of December 31, 2010. As of September 30, 2011, we had two investments on non-accrual status, which comprised approximately 1.3% of the total portfolio investments at fair value and 3.4% of the total portfolio investments at cost (or 1.0% and 2.6%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager. As of December 31, 2010, we had two investments on non-accrual status, which comprised approximately 2.6% of the total portfolio investments at fair value and 3.6% of the total portfolio investments at cost (or 2.2% and 3.0%, respectively with the inclusion of marketable securities and idle funds investments), in each case excluding the investment in the affiliated Investment Manager.

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

Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the three months ended September 30, 2011 and September 30, 2010*

	Three Months Ended September 30,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Total investment income	\$ 17.1	\$ 9.0	\$ 8.1	90%
Total expenses	(6.7)	(4.2)	(2.5)	58%
Net investment income	10.4	4.8	5.6	118%
Net realized gain (loss) from investments	1.4	(1.5)	2.9	194%
Net realized income	11.8	3.3	8.5	266%
Net change in unrealized appreciation	2.8	8.6	(5.8)	-68%
Income tax benefit (provision)	(0.1)	(0.4)	0.3	NM
Noncontrolling interest		(0.6)	0.6	NM
Net increase in net assets resulting from operations attributable to common stock	\$ 14.5	\$ 10.9	\$ 3.6	32%

	Three Months Ended September 30,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Net investment income	\$ 10.4	\$ 4.8	\$ 5.6	118%
Share-based compensation expense	0.6	0.4	0.2	30%
Distributable net investment income (a)	11.0	5.2	5.8	110%
Net realized gain (loss) from investments	1.4	(1.5)	2.9	194%
Distributable net realized income (a)	\$ 12.4	\$ 3.7	\$ 8.7	237%
Distributable net investment income per share -				
Basic and diluted (a) (b)	\$ 0.46	\$ 0.30	\$ 0.16	53%
Distributable net realized income per share -				
Basic and diluted (a) (b)	\$ 0.52	\$ 0.21	\$ 0.31	150%

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

(b) Per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II not owned by Main Street.

*Investment Income*

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For the three months ended September 30, 2011, total investment income was \$17.1 million, a 90% increase over the \$9.0 million for the corresponding period of 2010. This comparable period increase was principally attributable to (i) a \$6.2 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities and idle funds investments, (ii) a \$1.2 million increase in dividend income from portfolio equity investments, and (iii) a \$0.7 million increase in fee income due to higher levels of transaction activity. The increase in investment income included \$0.5 million of interest income associated with higher levels of prepayment and repricing activity for certain debt investments.

### *Expenses*

For the three months ended September 30, 2011, total expenses increased by approximately \$2.5 million to \$6.7 million from \$4.2 million in the corresponding period of 2010. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$1.4 million as a result of the issuance of an additional \$40 million in SBIC debentures subsequent to the third quarter of 2010 and increased borrowing activity under the Credit Facility, (ii) higher share-based compensation expense of \$0.2 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$0.9

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million related to the significant increase in investment income and portfolio investments compared to the corresponding period of 2010.

*Distributable Net Investment Income*

Distributable net investment income for the three months ended September 30, 2011 increased 110% to \$11.0 million, or \$0.46 per share, compared with \$5.2 million, or \$0.30 per share, in the corresponding period of 2010. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the third quarter of 2011 reflects approximately (i) \$0.02 per share of investment income associated with the prepayment and repricing activity discussed above and (ii) a greater number of average shares outstanding compared to the corresponding period in 2010 primarily due to the March 2011 and August 2010 follow-on stock offerings.

*Net Investment Income*

Net investment income for the three months ended September 30, 2011 was \$10.4 million, or a 118% increase, compared to net investment income of \$4.8 million during the corresponding period of 2010. The increase in net investment income was principally attributable to the increase in total investment income partially offset by the higher interest and other operating expenses discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$12.4 million, or \$0.52 per share, in the third quarter of 2011 compared with distributable net realized income of \$3.7 million, or \$0.21 per share, in the corresponding period of 2010. The increase was due to (i) the higher level of total distributable net investment income in the third quarter of 2011 and (ii) the higher level of total net realized gain from investments in the third quarter of 2011 compared to the net realized loss from investments in the corresponding period of 2010. The \$1.4 million net realized gain during the third quarter of 2011 was primarily attributable to a realized gain recognized on the partial exit of an LMM portfolio company equity investment and realized gains related to privately placed and marketable securities debt investments. The net realized loss for the third quarter of 2010 was primarily related to a \$1.9 million realized loss on the sale of a portfolio company investment.

*Net Realized Income*

The higher level of net investment income in addition to the change in net realized gain from investments during the three months ended September 30, 2011 resulted in an \$8.5 million increase in net realized income compared with the corresponding period of 2010.

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

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For the three months ended September 30, 2011, the \$2.8 million net change in unrealized appreciation was principally attributable to (i) accounting reversals of net unrealized appreciation related to the net realized gains recognized in the third quarter of 2011 in the amounts of \$1.3 million for portfolio investments and \$0.4 million for marketable securities and idle funds investments, (ii) unrealized appreciation on 28 portfolio investments totaling \$20.2 million, partially offset by unrealized depreciation on 26 portfolio investments totaling \$8.3 million, (iii) \$3.8 million of net unrealized depreciation on investments in marketable securities and idle funds investments, and (iv) \$3.6 million of net unrealized depreciation attributable to our SBIC debentures. For the third quarter of 2011, we also recognized a net income tax provision of \$0.1 million principally related to deferred taxes on net unrealized appreciation of certain portfolio investments held in our Taxable Subsidiaries.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the three months ended September 30, 2011 was \$14.5 million, or \$0.62 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$10.9 million, or \$0.65 per share, in the corresponding period of 2010.

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*Comparison of the nine months ended September 30, 2011 and September 30, 2010*

	Nine Months Ended September 30,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Total investment income	\$ 46.6	\$ 24.8	\$ 21.8	88%
Total expenses	(19.2)	(12.1)	(7.1)	59%
Net investment income	27.4	12.7	14.7	115%
Net realized gain (loss) from investments	1.7	(2.9)	4.6	159%
Net realized income	29.1	9.8	19.3	197%
Net change in unrealized appreciation (depreciation) from investments	16.8	15.9	0.9	5%
Income tax benefit (provision)	(3.3)	(0.8)	(2.5)	323%
Bargain purchase gain		4.9	(4.9)	NM
Noncontrolling interest	(0.2)	(1.0)	0.8	-84%
Net increase in net assets resulting from operations attributable to common stock	\$ 42.4	\$ 28.8	\$ 13.6	47%

	Nine Months Ended September 30,		Net Change	
	2011	2010	Amount	%
	(dollars in millions)			
Net investment income	\$ 27.4	\$ 12.7	\$ 14.7	115%
Share-based compensation expense	1.5	1.0	0.5	40%
Distributable net investment income (a)	28.9	13.7	15.2	109%
Net realized gain (loss) from investments	1.7	(2.9)	4.6	159%
Distributable net realized income (a)	\$ 30.6	\$ 10.8	\$ 19.8	182%
Distributable net investment income per share - Basic and diluted (a) (b)	\$ 1.29	\$ 0.88	\$ 0.41	47%
Distributable net realized income per share - Basic and diluted (a) (b)	\$ 1.37	\$ 0.69	\$ 0.68	98%

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

(b) Per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II not owned by Main Street.

*Investment Income*

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For the nine months ended September 30, 2011, total investment income was \$46.6 million, an 88% increase over the \$24.8 million in the corresponding period of 2010. This comparable period increase was principally attributable to (i) a \$17.1 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities and idle funds investments, (ii) a \$3.4 million increase in dividend income from portfolio equity investments, and (iii) a \$1.2 million increase in fee income due to higher levels of transaction activity. The increase in investment income included \$1.5 million of income associated with higher levels of prepayment and repricing activity for certain debt investments and a \$0.3 million special dividend from one portfolio equity investment.

### *Expenses*

For the nine months ended September 30, 2011, total expenses increased by approximately \$7.1 million to \$19.2 million from \$12.1 million in the corresponding period of 2010. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$3.5 million as a result of the issuance of an additional \$40 million in SBIC debentures subsequent to the

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third quarter of 2010 and increased borrowing activity under the Credit Facility, (ii) higher share-based compensation expense of \$0.5 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$3.2 million related to the significant increase in investment income and portfolio investments compared to the corresponding period of 2010.

*Distributable Net Investment Income*

Distributable net investment income for the nine months ended September 30, 2011 increased 109% to \$28.9 million, or \$1.29 per share, compared with \$13.7 million, or \$0.88 per share, in the corresponding period of 2010. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the first nine months of 2011 reflects approximately \$0.08 per share of investment income associated with the prepayment and repricing activity discussed above, (ii) \$0.01 per share of investment income due to the special dividend discussed above, and (iii) a greater number of average shares outstanding compared to the corresponding period in 2010 primarily due to the March 2011 and August 2010 follow-on stock offerings.

*Net Investment Income*

Net investment income for the nine months ended September 30, 2011 was \$27.4 million, or a 115% increase, compared to net investment income of \$12.7 million during the corresponding period of 2010. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$30.6 million, or \$1.37 per share, in the first nine months of 2011 compared with distributable net realized income of \$10.8 million, or \$0.69 per share, in the corresponding period of 2010. The increase was primarily attributable to the higher level of distributable net investment income as well as the higher level of total net realized gain from investments in 2011 compared to the net realized loss from investments in the corresponding period of 2010. The \$1.7 million net realized gain during the first nine months of 2011 was primarily attributable to realized gain recognized on one partial exit of an LMM portfolio company equity investment and realized gains related to privately placed and marketable securities investments. The \$2.9 million net realized loss during the first nine months of 2010 was primarily attributable to \$5.9 million of realized loss from our debt and equity investments in two portfolio companies, partially offset by (i) \$2.3 million of realized gain on two partial exits and one full exit of portfolio company equity investments and (ii) \$0.7 million of realized gain related to private placement, marketable securities, and idle funds investments.

*Net Realized Income*

The higher level of net investment income and the change from net realized loss to net realized gain from investments during the nine months ended September 30, 2011 resulted in a \$19.3 million increase in net realized income compared with the corresponding period of 2010.



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

For the nine months ended September 30, 2011, the \$16.8 million net change in unrealized appreciation was principally attributable to (i) accounting reversals of net unrealized appreciation related to the net realized gains recognized for the first nine months of 2011 in the amounts of \$1.6 million for portfolio investments and \$0.4 million for marketable securities and idle funds investments, (ii) unrealized appreciation on 36 portfolio investments totaling \$43.3 million, partially offset by unrealized depreciation on 25 portfolio investments totaling \$15.5 million, (iii) \$3.2 million of net unrealized depreciation on investments in marketable securities and idle funds investments and, (iv) \$5.7 million of net unrealized depreciation attributable to our SBIC debentures. For the nine months ended September 30, 2011, we also recognized a net income tax provision of \$3.3 million principally related to deferred taxes on net unrealized appreciation of certain portfolio investments held in our Taxable Subsidiaries. The noncontrolling interest of \$0.2 million recognized during the first nine months of 2011 reflects the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the nine months ended September 30, 2011 was \$42.4 million, or \$1.94 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$28.8 million, or \$1.87 per share, in the corresponding period of 2010.

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*Liquidity and Capital Resources*

*Cash Flows*

For the nine months ended September 30, 2011, we experienced a net increase in cash and cash equivalents in the amount of \$2.8 million. During that period, we generated \$23.0 million of cash from our operating activities, primarily from distributable net investment income partially offset by accretion of unearned income, net payment-in-kind interest income, increases in interest receivable and other assets, and semi-annual interest payments made on our SBIC debentures. We used \$183.7 million in net cash from investing activities for the nine months ended September 30, 2011, principally including the funding of \$152.5 million for LMM and private placement portfolio investments and the funding of \$133.7 million for marketable securities and idle funds investments, partially offset by (i) \$57.9 million of cash proceeds from the sale of marketable securities and idle funds investments and (ii) \$43.8 million in cash proceeds from the repayment of LMM and private placement portfolio debt investments. For the first nine months of 2011, \$163.5 million in cash was provided by financing activities, which principally consisted of (i) \$70.3 million in net cash proceeds from a public stock offering in March 2011, (ii) \$40.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$75.0 million in net borrowings under the Credit Facility, partially offset by (i) \$19.4 million in cash dividends paid to stockholders and (ii) \$1.7 million in deferred loan costs paid in connection with the Credit Facility and the issuance of additional SBIC debentures.

For the nine months ended September 30, 2010, we experienced a net increase in cash and cash equivalents in the amount of \$27.7 million. During that period, we generated \$10.1 million of cash from our operating activities, primarily from distributable net investment income partially offset by accretion of unearned income, increases in interest receivable, and semi-annual interest payments made on our SBIC debentures. We used \$99.4 million in net cash from investing activities for the nine months ended September 30, 2010, principally including the funding of \$93.1 million for LMM and private placement portfolio investments and the funding of \$62.0 million for marketable securities and idle funds investments, partially offset by (i) \$3.2 million from the full and partial exits of equity investments (ii) \$29.2 million of cash proceeds from the sale of marketable securities and idle funds investments, (iii) \$2.5 million in cash acquired as part of the Exchange Offer, and (iv) \$20.9 million in cash proceeds from the repayment of LMM and private placement portfolio debt investments. For the first nine months of 2010, \$116.9 million in cash was provided by financing activities, which principally consisted of (i) \$85.9 million in net cash proceeds from public stock offerings in January 2010 and August 2010, (ii) \$45.0 million in cash proceeds from the issuance of SBIC debentures, partially offset by \$11.5 million in cash dividends paid to stockholders and \$2.1 million in deferred loan costs paid in connection with the Credit Facility and the issuance of additional SBIC debentures.

*Capital Resources*

As of September 30, 2011, we had \$25.1 million in cash and cash equivalents and \$134.7 million in marketable securities and idle funds investments, and our net asset value totaled \$336.5 million, or \$14.49 per share. In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and estimated offering costs.

In June 2011, we expanded the Credit Facility from \$100 million to \$155 million to provide additional liquidity in support of future investment and operational activities. The \$55 million increase in total commitments included commitment increases by all six lenders currently participating in the Credit Facility. In addition to the \$55 million increase in total commitments, we extended the maturity of the Credit Facility by one year to September 2014. The amended Credit Facility also contains an accordion feature that allows for a further increase in total

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commitments under the facility to \$200 million on the same terms and conditions as the existing lender commitments. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. We pay unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At September 30, 2011, we had \$114.0 million in borrowings outstanding under the Credit Facility, bearing interest at an interest rate of 2.72%. As of September 30, 2011, we were in compliance with all financial covenants of the Credit Facility.

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

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its

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equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On September 30, 2011, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of approximately 5.1%. The first maturity related to the SBIC debentures does not occur until 2013, and the remaining weighted average duration is approximately 6.9 years as of September 30, 2011.

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

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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. A proposal, approved by our stockholders at our June 2011 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 15, 2012. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spillover certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received exemptive relief from the SEC that permits us to exclude SBA-guaranteed debt issued by our wholly owned SBIC subsidiary, MSMF, from our asset coverage ratio, which, in turn, enables us to fund more investments with debt capital. We expect to obtain similar relief from the SEC with respect to SBIC debt securities issued by MSC II, including the \$95 million of currently outstanding debt related to its participation in the SBIC program.

Although we have been able to secure access to additional liquidity, including our recent public stock offerings, expanded \$155 million Credit Facility, and the increase in available leverage through the SBIC program as part of the Stimulus Bill, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued Accounting Standards***

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

In February 2011, the FASB issued ASU 2011-02, Receivables (Topic 310): *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring* ( ASU 2011-02 ). ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets

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the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 provides guidance to clarify whether the creditor has granted a concession and whether a debtor is experiencing financial difficulties. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The adoption of ASU 2011-02 did not have a significant impact on Main Street's financial condition and results of operations.

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

***Inflation***

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

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At September 30, 2011, we had seven outstanding commitments to fund unused revolving loans for up to \$17.5 million in total.

***Contractual Obligations***

As of September 30, 2011, our future fixed commitments for cash payments in connection with our SBIC debentures for each of the next five years and thereafter are as follows:

<b>Total</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 and thereafter</b>
			<b>(dollars in thousands)</b>			

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SBIC debentures	\$ 220,000	\$	\$ 4,000	\$	\$ 18,000	\$	\$ 23,100	\$	\$ 5,000	\$	\$ 169,900	
Interest due on SBIC debentures	74,796		11,273		11,270		10,963		9,877		8,736	22,677
Total	\$ 294,796	\$	\$ 11,273	\$	\$ 15,270	\$	\$ 28,963	\$	\$ 32,977	\$	\$ 13,736	\$ 192,577

As of September 30, 2011, we had \$114.0 million in borrowings outstanding under our \$155 million Credit Facility. Unless extended, the Credit Facility will mature in September 2014.

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

MSCC is obligated to make payments under a support services agreement with the Investment Manager. The Investment Manager is reimbursed for its excess operating expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash operating expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the nine months ended September 30, 2011 and 2010, the expenses reimbursed by MSCC to the Investment Manager and management fees paid by MSC II were \$6.3 million and \$3.6 million, respectively.

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***Related Party Transactions***

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At September 30, 2011, the Investment Manager had a receivable of \$3.1 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

***Recent Developments***

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

During August 2011, our Board of Directors increased its size from six to seven directors and appointed J. Kevin Griffin as a director to fill the vacancy created by the increase until our 2012 annual meeting of stockholders. Mr. Griffin was also appointed to serve on the Audit Committee of the Board of Directors.

During August 2011, the Board of Directors appointed Dwayne L. Hyzak as Chief Financial Officer and Senior Managing Director, Curtis L. Hartman as Chief Credit Officer and Senior Managing Director, and David L. Magdol as Chief Investment Officer and Senior Managing Director of Main Street. Each of these executives had been a Senior Vice President of Main Street since 2007 and served as a managing director or in other executive roles of our predecessor funds since at least 2002. Each of these executives assumed his new executive role while also maintaining his current portfolio investment responsibilities. In his new role as Chief Credit Officer, Mr. Hartman chairs our Credit Committee, which is responsible for oversight of the investment process with respect to our private placement and marketable securities investment portfolio. In his new role as Chief Investment Officer, Mr. Magdol chairs our Investment Committee, which is responsible for oversight of the investment process with respect to our LMM investment portfolio. Vincent D. Foster, our Chairman and Chief Executive Officer, and Todd A. Reppert, our President, are also members of both the Credit Committee and the Investment Committee. In connection with Mr. Hyzak's appointment as Chief Financial Officer, he assumed responsibilities as our principal financial officer. Mr. Reppert, who was previously the Chief Financial Officer of Main Street, retained the title of President and the ongoing responsibilities over operational and administrative aspects of our business.

**Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments, marketable securities, and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The majority of our debt investments are made with fixed interest rates for the term of the investment. However, as of September 30, 2011, approximately 36% of our debt investment portfolio (at cost) bore interest at floating rates with 96% of those floating-rate debt investments (at cost) subject to contractual minimum interest rates. In addition as of September 30, 2011, approximately 86% of our



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marketable securities debt investments (at cost) bore interest at floating rates with 100% of those floating-rate debt investments (at cost) subject to contractual minimum interest rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the long term interest rates on our outstanding SBIC debentures, which comprise the majority of our outstanding debt, are fixed for the 10-year life of such debt. As of September 30, 2011, we had not entered into any interest rate hedging arrangements. At September 30, 2011, based on our applicable levels of floating-rate debt investments, a 1% change in interest rates would not have a material effect on our level of interest income from debt investments.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer, our President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, our Chairman and Chief Executive Officer, our President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to us that is required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934. There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

### **Item 1A. Risk Factors**

There were no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, that we filed with the SEC on March 11, 2011.

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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended September 30, 2011, we issued 67,815 shares of our common stock under our dividend reinvestment plan pursuant to an exemption from the registration requirements of the Securities Act of 1933. The aggregate value for the shares of common stock issued during the three months ended September 30, 2011, under the dividend reinvestment plan was approximately \$1.3 million.

**Item 6. Exhibits**

Listed below are the exhibits which are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.1	Second Amendment to Credit Agreement dated July 29, 2011.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

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**SIGNATURES**

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

**Main Street Capital Corporation**

Date: November 4, 2011

/s/ Vincent D. Foster  
Vincent D. Foster  
Chairman and Chief Executive Officer (principal executive officer)

Date: November 4, 2011

/s/ Todd A. Reppert  
Todd A. Reppert  
President

Date: November 4, 2011

/s/ Dwayne L. Hyzak  
Dwayne L. Hyzak  
Chief Financial Officer and Senior Managing Director (principal financial officer)

Date: November 4, 2011

/s/ Michael S. Galvan  
Michael S. Galvan  
Vice President and Chief Accounting Officer (principal accounting officer)

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**EXHIBIT INDEX**

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