

Main Street Capital CORP
Form N-2/A
August 15, 2007

Table of Contents

As filed with the Securities and Exchange Commission on August 15, 2007

Securities Act File No. 333-142879

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

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Pre-Effective Amendment No. 2

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

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

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

COPIES TO:

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

**John A. Good, Esq.
Bass, Berry & Sims PLC
100 Peabody Place, Suite 900
Memphis, Tennessee 38103-3672
Tel: (901) 543-5901
Fax: (888) 543-4644**

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

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

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price⁽¹⁾	Amount of Registration Fee
Common Stock, \$0.01 par value per share	\$115,000,000	\$3,531 ⁽²⁾

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

⁽²⁾ Previously paid.

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

Table of Contents

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

SUBJECT TO COMPLETION, DATED AUGUST 1, 2007

PRELIMINARY PROSPECTUS

6,666,667 Shares

**Main Street Capital Corporation
Common Stock**

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

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

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

We are offering 6,666,667 shares of our common stock. This is our initial public offering, and no public market currently exists for our shares. We have applied to have our common stock approved for quotation on the Nasdaq Global Market under the symbol MAIN.

Investing in our common stock involves risks, including the risk of leverage, and should be considered speculative. See Risk Factors beginning on page 15. Shares of closed-end investment companies have in the past frequently traded at a discount to their net asset value. If our shares trade at a discount to net asset value, it may increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of \$15.00 per share, purchasers in this offering will experience immediate dilution in net asset value of approximately \$1.46 per share. See Dilution for more information.

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 1300 Post

Oak Boulevard, Suite 800, Houston, TX 77056 or by telephone at (713) 350-6000 or on our website at www.mainstreethouston.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at www.sec.gov that contains such information.

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

	Per Share	Total
Public offering price ⁽¹⁾	\$ 15.00	\$ 100,000,000
Underwriting discount (sales load)	\$ 1.05	\$ 7,000,000
Proceeds to us, before expenses ⁽²⁾	\$ 13.95	\$ 93,000,000

(1) In addition, we will issue 4,525,674 shares in exchange for the aggregate consideration of \$59.5 million in connection with the formation transactions described herein.

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

We have granted the underwriters a 30-day option to purchase up to an additional 1,000,000 shares of our common stock at the public offering price, less the underwriting discount (sales load), solely to cover over-allotments, if any. If the over-allotment option is exercised in full, the total public offering price would be \$115,000,000, the total underwriting discount (sales load) would be \$8,050,000, and the proceeds to us, before expenses, would be \$106,950,000.

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

Morgan Keegan & Company, Inc.

**SMH Capital Inc.
Incorporated**

**BB&T Capital Markets
A Division of Scott & Stringfellow, Inc.
Ferris, Baker Watts**

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Fees and Expenses</u>	11
<u>Summary Financial and Other Data</u>	13
<u>Risk Factors</u>	15
<u>Special Note Regarding Forward-Looking Statements</u>	28
<u>Formation; Business Development Company and Regulated Investment Company Elections</u>	29
<u>Use of Proceeds</u>	34
<u>Dividends</u>	35
<u>Capitalization</u>	36
<u>Pro Forma As Adjusted Balance Sheet</u>	37
<u>Dilution</u>	39
<u>Selected Financial and Other Data</u>	40
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Senior Securities</u>	55
<u>Business</u>	56
<u>Portfolio Companies</u>	66
<u>Management</u>	70
<u>Certain Relationships and Transactions</u>	80
<u>Control Persons and Principal Stockholders</u>	81
<u>Dividend Reinvestment Plan</u>	83
<u>Description of Capital Stock</u>	84
<u>Shares Eligible for Future Sale</u>	90
<u>Material U.S. Federal Income Tax Considerations</u>	91
<u>Regulation</u>	96
<u>Underwriting</u>	101
<u>Custodian, Transfer and Distribution Paying Agent and Registrar</u>	103
<u>Brokerage Allocation and Other Practices</u>	103
<u>Legal Matters</u>	104
<u>Independent Registered Public Accounting Firm</u>	104
<u>Available Information</u>	104
<u>Privacy Notice</u>	105
<u>Index to Financial Statements</u>	F-1
<u>Schedule of Investment in and Advances to Affiliates</u>	F-33
<u>Articles of Amendment and Restatement</u>	
<u>Bylaws</u>	
<u>Form of Common Stock Certificate</u>	
<u>Form of Dividend Reinvestment Plan</u>	
<u>Form of Underwriting Agreement</u>	
<u>Equity Incentive Plan</u>	
<u>Amendment to Agreement and Plan of Merger</u>	
<u>Amendment to Exchange Agreement</u>	
<u>Amendment to Exchange Agreement</u>	
<u>Opinion and Consent of Counsel</u>	
<u>Consent of Grant Thornton LLP</u>	
<u>Code of Ethics</u>	

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

Table of Contents

PROSPECTUS SUMMARY

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

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

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

Main Street

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

We typically seek to partner with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) taking first priority liens on assets; and (iii) providing equity incentives for management teams of our portfolio companies. We seek to avoid competing with other capital providers

for transactions because we believe competitive transactions often have execution risks and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and higher leverage ratios. In that regard, based upon information provided to us by our portfolio companies (which we have not independently verified), our portfolio had a total net debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio of approximately 3.4 to 1.0 and a total EBITDA to interest expense ratio of 2.1 to 1.0. In calculating these ratios, we included all portfolio company

Table of Contents

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

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

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

Company	Nature of Principal Business	Cost of Investment⁽¹⁾⁽²⁾	Fair Value of Investment⁽³⁾
		<i>(dollars in thousands)</i>	
Advantage Millwork Company, Inc.	Manufactures/distributes wood doors	\$ 2,480	\$ 2,480
All Hose & Specialty, LLC	Distributes commercial/industrial hoses	2,680	4,600
American Sensor Technologies, Inc.	Manufactures commercial/industrial sensors	3,450	3,975
Café Brazil, LLC	Operates casual restaurant chain	2,992	4,100
Carlton Global Resources, LLC	Produces and processes industrial minerals	4,931	4,931
CBT Nuggets, LLC	Produces and sells IT certification training videos	2,724	3,380
East Teak Fine Hardwoods, Inc.	Distributes hardwood products	1,737	2,062
Hawthorne Customs & Dispatch Services, LLC	Provides one stop logistics services	1,950	2,203
Hayden Acquisition, LLC	Manufactures utility structures	1,955	1,955
Houston Plating & Coatings, LLC	Provides plating and industrial coating services	310	2,220
Jensen Jewelers of Idaho, LLC	Sells retail jewelry	2,694	2,694
KBK Industries, LLC	Manufactures oilfield and industrial products	4,713	5,836
Laurus Healthcare, LP	Develops and manages healthcare facilities	3,115	3,115
Magna Card, Inc.	Distributes wholesale/consumer magnetic products	2,116	2,016
National Trench Safety, LLC	Rents and sells trench and traffic safety equipment	1,939	1,939
Pulse Systems, LLC	Manufactures components for medical devices	2,642	2,874
Quest Design & Production, LLC	Designs and fabricates custom displays	3,940	3,940
Support Systems Homes, Inc.	Manages substance abuse treatment centers	1,663	1,663
TA Acquisition Group, LP	Produces and processes construction aggregates	2,640	7,680
Technical Innovations, LLC		2,065	3,105

Edgar Filing: Main Street Capital CORP - Form N-2/A

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

- (1) Net of prepayments but before accumulated unearned income allocations.
- (2) Aggregates the cost of all of our investments in each of our portfolio companies.
- (3) Aggregates the fair value of all of our investments in each of our portfolio companies.

Table of Contents

Recent Developments

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

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

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

As of July 31, 2007, we have executed non-binding term sheets for approximately \$15 million of investment commitments in prospective portfolio companies. These proposed investments are subject to the completion of our due diligence and approval process as well as negotiation of definitive agreements with the prospective portfolio companies and, as a result, may not result in completed investments.

Why We Are Going Public

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

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

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

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

Table of Contents

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

Market Opportunity

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

Business Strategies

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

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

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

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

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

Table of Contents

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

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

Investment Criteria

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

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

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

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

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

Formation Transactions

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

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

Pursuant to a merger agreement that has received the approval of the General Partner and over 95% of the limited partners of Main Street Mezzanine Fund, or the Limited Partners, we will acquire 100.0%

Table of Contents

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

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

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

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

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

Under two separate management services agreements with Main Street Mezzanine Fund and Main Street Capital II, the Investment Adviser receives management fees from both Main Street Mezzanine Fund and Main Street Capital II. Until September 30, 2007, the Investment Adviser is entitled to

Table of Contents

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

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

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

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

Table of Contents

- (1) Based on 11,192,341 shares of common stock to be outstanding after this offering and completion of the formation transactions described elsewhere in this prospectus. Does not include 1,000,000 shares of common stock issuable pursuant to the underwriters' over-allotment option.

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

Table of Contents

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

Corporate Information

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

Available Information

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