Main Street Capital CORP
Form 497
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Registration Statement No. 333-142879

PROSPECTUS

4,000,000 Shares
Main Street Capital Corporation
Common Stock

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

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

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

We are offering 4,000,000 shares of our common stock. This is our initial public offering, and no public market currently exists for our shares. Our common stock has been approved for listing on the Nasdaq Global Select 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 $1.57 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	$ 60,000,000
Underwriting discount (sales load) on 3,700,000 shares sold directly to public	1.05	3,885,000
Underwriting discount (sales load) on 300,000 directed shares[2]	$ 0.375	112,500
Proceeds to us, before expenses[2][3]	$ 14.00	56,002,500

(1) In addition, we will issue 4,526,726 shares in exchange for the aggregate consideration of $59.8 million in connection with the formation transactions described herein.

(2) Assumes the sale of all 300,000 shares reserved for sale under the directed share program described in this prospectus to participants in the program. The underwriting discount (sales load) with respect to shares sold in the directed share program is $0.375 per share. The number of shares of common stock available for sale to the general public in the public offering will be reduced to the extent these persons purchase any reserved shares. Any shares not so purchased will be offered by the underwriters to the general public on the same basis as other shares offered hereby.

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

We have granted the underwriters a 30-day option to purchase up to an additional 400,000 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 $66,000,000, the total underwriting discount (sales load) would be $4,417,500, and the proceeds to us, before expenses, would be $61,582,500.

The underwriters expect to deliver the shares on or about October 11, 2007.

Morgan Keegan & Company, Inc.

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

SMH Capital Inc.

Ferris, Baker Watts
Incorporated

The date of this prospectus is October 4, 2007

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

PROSPECTUS SUMMARY

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

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

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

Main Street

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

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

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

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

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

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

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

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

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

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

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Recent Developments

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

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

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

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

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

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

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

Why We Are Going Public

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

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

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

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

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

Market Opportunity

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

Business Strategies

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

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

Focusing on Established Companies in the Lower Middle Market. We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building

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management or are in the early stages of building a revenue base. In addition, established lower middle market companies generally provide opportunities for capital appreciation.

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

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

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

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

Investment Criteria

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

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

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

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

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

Formation Transactions

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

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

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

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

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

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

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

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

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

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

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

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

(1) Based on 8,526,726 shares of common stock to be outstanding after this offering and completion of the formation transactions described elsewhere in this prospectus. Does not include 400,000 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.

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

Corporate Information

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

Available Information

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

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

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The Offering

Common stock offered by us	4,000,000 shares[(1)]
Common stock issued in formation transactions	4,526,726 shares
Common stock to be outstanding after this offering	8,526,726 shares[(1)]
Use of proceeds	Our net proceeds from this offering will be approximately $54 million. We intend to use all of the net proceeds from this offering to make investments in lower middle market companies in accordance with our investment objective and strategies described in this prospectus, pay our operating expenses and dividends to our stockholders and for general corporate purposes. Pending such use, we will invest the net proceeds primarily in short-term securities consistent with our business development company election and our election to be taxed as a RIC. See Use of Proceeds.
Nasdaq Global Select Market symbol	MAIN
Dividends	We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. Our dividends, if any, will be determined by our Board of Directors. We expect to declare our initial quarterly dividend in November 2007 and pay the dividend on or before December 31, 2007.
Taxation	We intend to elect, effective as of the date of our formation, to be treated as a RIC for federal income tax purposes. As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Material U.S. Federal Income Tax Considerations.
Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an opt out reinvestment plan. As a result, if we declare dividends, then stockholders cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See Dividend Reinvestment Plan.
Trading at a discount	

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

(1) Does not include 400,000 shares of common stock issuable pursuant to the over-allotment option granted by us to the underwriters.

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FEES AND EXPENSES

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

Stockholder Transaction Expenses:

Sales load (as a percentage of offering price)	7.0%	(1)
Offering and formation transaction expenses (as a percentage of offering price)	3.3%	(2)
Dividend reinvestment plan expenses		(3)
Total stockholder transaction expenses (as a percentage of offering price)	10.3%	

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

Operating expenses	2.5%(4)
Acquired fund fees and expenses	2.8%(5)
Interest payments on borrowed funds	%(6)
Total annual expenses	5.3%(7)

Example

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

			1 Year		3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return		$		146	$ 255		
Christopher A. DeFrancis (46) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President and Secretary	Since 2010	Associate Secretary (2008-2010) of the Trusts; Chief Compliance Officer (since 2011), Co-General Counsel, Secretary, and Managing Director (since 2010), Senior Counsel, Assistant Secretary and Managing Director (2010), Assistant Secretary and Counsel				

(2008-2009), Babson Capital; Counsel (2001-2009), Massachusetts Mutual Life Insurance Company; Vice President and Secretary (since 2010), Assistant Secretary (2009-2010), CI Subsidiary Trust and PI Subsidiary Trust.

*Officers hold their position with the Trusts until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of each Trust. The officers were last elected on July 18, 2012.

OFFICERS OF THE TRUSTS

Name (Age), Address	Position(s) With the Trust(s)	Office Term* and Length of Time Served	Principal Occupations(s) During Past 5 Years
John T. Davitt, Jr. (45) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Comptroller	Since 2001	Director (since 2000), Babson Capital; and Controller (since 2005), CI Subsidiary Trust and PI Subsidiary Trust.
Melissa M. LaGrant (39) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Chief Compliance Officer	Since 2006	Managing Director (since 2005), Babson Capital; Chief Compliance Officer (since 2012), Babson Capital Global Short Duration High Yield Fund; Vice President and Senior Compliance Trading Manager (2003-2005), Loomis, Sayles & Company, L.P.; and Assistant Vice President-Business Risk Management Group (2002-2003), Assistant Vice President-Investment Compliance (2001-2002), Zurich Scudder Investments/Deutsche Asset Management.
Daniel J. Florence (40) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Treasurer	Since 2008	Associate Treasurer (2006-2008) of the Trusts; and Associate Director (since 2008), Analyst (2000-2008), Babson Capital.

*Officers hold their position with the Trusts until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of each Trust. The officers were last elected on July 18, 2012.

OFFICERS OF THE TRUSTS

Name (Age), Address	Position(s) With the Trust(s)	Office Term* and Length of Time Served	Principal Occupations(s) During Past 5 Years
Sean Feeley (45) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 2011	Managing Director (since 2003), Babson Capital; Vice President (since 2012), Babson Capital Global Short Duration High Yield Fund; and Vice President (since 2011), CI Subsidiary Trust and PI Subsidiary Trust.
Michael P. Hermsen (52) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 1998	Managing Director (since 2000), Babson Capital; Vice President (since 2005), CI Subsidiary Trust and PI Subsidiary Trust; Director (since 2009), Babson Capital Asia Limited; and Director (since 2009), Babson Capital Australia Holding Company Pty. Ltd. and Babson Capital Australia Pty. Ltd.
Mary Wilson Kibbe (59) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 1992	Head of Fixed Income Team (since 2000), Managing Director (since 2000), Babson Capital.

*Officers hold their position with the Trusts until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of each Trust. The officers were last elected on July 18, 2012.

OFFICERS OF THE TRUSTS

Name (Age), Address	Position(s) With the Trust(s)	Office Term* and Length of Time Served	Principal Occupations(s) During Past 5 Years
Richard E. Spencer, II (50) 1500 Main Street P.O. Box 15189 Springfield, MA 01115-5189	Vice President	Since 2002	Managing Director (since 2000), Babson Capital; and Vice President (since 2005), CI Subsidiary Trust and PI Subsidiary Trust.

* Officers hold their position with the Trusts until a successor has been duly elected and qualified. Officers are generally elected annually by the Board of Trustees of each Trust. The officers were last elected on July 18, 2012.

The following provides an overview of the considerations that led the Board to conclude that each individual serving as a Trustee or nominee for Trustee of each Trust should so serve. The current members of the Board have joined the Board at different points in time since 2003. Generally, no one factor was decisive in the original selection of an individual to join the Board. Among the attributes common to all Trustees is their ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with each Trust's investment adviser, counsel and independent auditors, and to exercise effective business judgment in the performance of their duties as Trustees. In recommending the election or appointment of the current Board members as Trustees, the Nominating Committee generally considered (i) the educational, business and professional experience of each individual; (ii) the individual's record of service as a director or trustee of public or private organizations; and (iii) how the individual's skills, experience and attributes would contribute to an appropriate mix of relevant skills and experience on the Board. The Nominating Committee also considered that during their service as members of the Board of Trustees of each Trust, the Trustees have demonstrated a high level of diligence and commitment to the interests of the Trusts' shareholders and the ability to work effectively and collegially with other members of the Board.

The following summarizes each Trustee's or nominee for Trustee's professional experience and additional considerations that contributed to the Board's conclusion that each individual should serve on the Board.

Mr. Barrett – Mr. Barrett brings over 30 years of investment banking experience to each Board. Mr. Barrett is the President of WJ Barrett Associates, Inc., former President of Barrett-Gardner Associates, Inc., a private merchant bank, and was a Senior Vice President with Janney Montgomery Scott LLC, a financial services firm, for over 26 years. Mr. Barrett has substantial board experience, including his previous experience as Chairman of Rumson-Fair Haven Bank and Trust Company, and has served on the boards of over 20 publicly traded companies. He has served as a Director of TGC Industries, Inc. since 1979, and also currently serves on the boards of Chase Packaging Corporation and Supreme Industries, Inc.

Mr. Brown – Mr. Brown brings over 25 years of experience in investment banking and the financial advisory industry to each Board. Mr. Brown previously worked as an investment banker with Morgan Stanley. Additionally, Mr. Brown also serves as a Director of Invicta Holdings LLC, Invicta Advisors LLC, Invicta Capital LLC and Invicta Credit LLC, a group of companies involved in writing and selling credit protection in the credit derivatives market on tranches of corporate, residential mortgage-backed securities and commercial mortgage-backed securities exposure.

Mr. Grace – Mr. Grace brings substantial executive, operations, board, private investor and private equity experience to each Board. Mr. Grace is President of Phelps Grace International, Inc., Managing Director of Grace Venture Partners, LP, Managing Director of Grace Restaurant Partners, LP and Senior Advisor in the Private Equity Group of Angelo Gordon & Co. He currently serves as Director of Larkburger, Inc., Benihana Inc., Firebirds Wood Fired Holding Corporation and Shawmut Design and Construction, Inc. Mr. Grace is Founder and former Chairman, President and Chief Executive Officer of The Capital Grille and Bugaboo Creek Steak House. He sold these chains and was formerly Director and Vice Chairman of the combined companies, RARE Hospitality International, Inc. He has served as Director of numerous other private and public companies, including Not Your Average Joe’s, Inc., Boston Restaurant Associates, Inc., Logan’s Roadhouse, Inc., The Gemesis Corporation and Claim Jumper Restaurants. Mr. Grace also served as Trustee and Chairman of the Executive and Investment Committees of Johnson & Wales University from 1994 to 2010 and Trustee and Chairman of the Investment Committee of Bryant University from 1999 to 2008. Mr. Grace holds an Advanced Professional Director Certification from the American College of Corporate Directors (a public company director education and credentialing organization).

Mr. Joyal – Mr. Joyal brings over 36 years of executive and board experience in the investment management business to each Board. He previously served as the President of each Trust and the President of the Trusts’ investment adviser, Babson Capital. His substantial board experience includes service on four other investment company boards (MassMutual Select Funds, MML Series Investment Funds, MML Series Investment Funds II and MassMutual Premier Funds). Mr. Joyal is a Chartered Financial Analyst.

Mr. Noreen – Mr. Noreen’s experiences as President, Vice Chairman, member of the Board of Managers and a Managing Director of Babson Capital provide the Boards with insight into investment company operational, financial and investment matters. The Boards benefit from Mr. Noreen’s 26 years of investment management and oversight experience related to public equities and corporate credit related investments, including private and public bonds, mezzanine and private equity investments and structured credit products. Mr. Noreen also has extensive experience in financial services operations resulting from his years at Babson Capital and from acting as a director of private investment companies and finance companies.

Ms. Sweeney – Ms. Sweeney brings over 30 years of investment and financial management experience in both the private and public sectors to each Board. She currently serves as Senior Vice President and Chief Investment Officer of Selective Insurance Company of America. Previously, she was Senior Managing Director of Ironwood Capital and Chief Investment Officer, Pension Funds for the State of Connecticut Treasurer’s Department. Ms. Sweeney currently serves on four other investment company boards (MassMutual Select Funds, MassMutual Premier Funds, MML Series Investment Funds and MML Series Investment Funds II).

Ms. Syracuse – Ms. Syracuse brings over 25 years of experience in investment banking, corporate finance and the financial advisory industry to each Board. Ms. Syracuse’s previous positions include her work as an investment banker at JP Morgan Securities, Inc. and Deutsche Bank Securities (f/k/a Banker’s Trust Company).

Share Ownership of Trustees and Officers

As of January 25, 2013, the Trustees and Officers of each Trust individually beneficially owned less than one percent (1%) of each of MCI's and MPV's outstanding shares and as a group beneficially owned 1.95% of MCI's outstanding shares and 1.92% of MPV's outstanding shares. This information is based on information furnished by each Trustee and Officer. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Also, as of January 25, 2013, Babson Capital, the investment adviser to each Trust, beneficially owned 0.86% of the outstanding shares of MCI and 1.41% of the outstanding shares of MPV.

Members of each Board of Trustees historically have invested in one or both of the Trusts, as is consistent with their individual financial goals. In October 2010, this policy was formalized through adoption of a requirement that each Independent Trustee invest one year's worth of fees received for serving as Trustee of the Trusts (excluding committee fees) in shares of one or both of the Trusts. Investments in the name of family members or entities controlled by a Trustee constitute Trust holdings of such Trustee for purposes of this policy, and a three-year phase-in period applies to such investment requirements for Trustees and newly elected Trustees. In implementing such policy, a Board member's Trust holdings existing on October 22, 2010, are valued as of such date with subsequent investments valued at cost.

The table below sets forth information regarding the beneficial ownership* of each Trust's shares by each Trustee and the Officers beneficially owning shares based on the market value of such shares as of January 25, 2013.

Dollar Ranges of Shares Owned by Trustees and Officers

Name of Nominee/ Trustee	Dollar Range of Shares in MCI	Dollar Range of Shares in MPV	Aggregate Dollar Range of Shares in the Family of Investment Companies
W. Barrett	Over $100,000	Over $100,000	Over $100,000
D. Benson ***	$50,001-$100,000	Over $100,000	Over $100,000
M. Brown	Over $100,000	$10,001-$50,000	Over $100,000
D. Glickman ***	Over $100,000	$10,001-$50,000	Over $100,000
E. Grace	Over $100,000	$10,001-$50,000	Over $100,000
M. Hart ****	Over $100,000	Over $100,000	Over $100,000
R. Joyal	Over $100,000	Over $100,000	Over $100,000
C. Noreen	Over $100,000**	None	Over $100,000**
S. Sweeney †	$10,001-$50,000	$10,001-$50,000	$50,001-$100,000
M. Syracuse	Over $100,000	$10,001-$50,000	Over $100,000
M. Klofas	Over $100,000**	None	Over $100,000**
M. Hermsen	Over $100,000	$10,001-$50,000	Over $100,000
M. Kibbe	Over $100,000**	None	Over $100,000**
R. Spencer	$10,001-$50,000	None	$10,001-$50,000
J. Bishop	$10,001-$50,000**	None	$10,001-$50,000**

*Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Exchange Act.

**Includes interest derived from the market value of MCI common shares represented in the Babson Capital and/or MassMutual non-qualified compensation deferral plans. However, pursuant to the terms of the plans, neither the plans nor the participant has actual ownership of Trust shares.

***Due to the Trusts' retirement policy, Messrs. Benson and Glickman's terms as Trustees will expire on April 19, 2013.

****Due to the Trusts' retirement policy, Mr. Hart resigned as a Trustee of the Boards on December 14, 2012.

†Ms. Sweeney joined the Boards on April 27, 2012.

Required Vote

If a quorum is present at the Meeting, the three nominees for election as Trustees who receive a plurality vote, meaning the greatest number of affirmative votes cast by shareholders, will be elected as Trustees.

THE BOARDS, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMEND THAT THE SHAREHOLDERS OF EACH TRUST VOTE TO ELECT EACH OF THE NOMINEES AS TRUSTEE OF EACH TRUST.

Board Leadership Structure

The Board for each Trust currently consists of nine Trustees, seven of whom are Independent Trustees. As discussed below, three of the standing committees of the Board, to which the Board has delegated certain authority and oversight responsibilities, are comprised exclusively of Independent Trustees.

Mr. Noreen, an "interested person" of each Trust, as defined in Section 2(a)(19) of the 1940 Act, serves as Chairman of each Board of Trustees. Mr. Noreen presides at meetings of each Board and acts as a liaison with service providers, officers, and other Trustees generally between meetings, and performs such other functions as may be requested by each Board from time to time. The Independent Trustees have not designated a lead Independent Trustee, but the Chairman of the Audit Committee, Mr. Benson, generally acts as chairman of meetings or executive sessions of the Independent Trustees, and when appropriate, represents the views of the Independent Trustees to management. The Board of each Trust reviews its leadership structure periodically and believes that the leadership structure is appropriate to enable each Board to exercise its oversight of each Trust. Each Board also believes that its structure, including the active role of the Independent Trustees, facilitates an efficient flow of information concerning the management of each Trust to the Independent Trustees.

Each Board provides oversight of the services provided by Babson Capital, including risk management activities. In addition, each committee of each Board provides oversight of Babson Capital's risk activities with respect to the particular activities within the committee's purview. In the course of providing oversight, the Board and relevant committees for each Trust receive a wide range of reports on the Trusts' activities, including each Trust's investment portfolio, the compliance of the Trusts with applicable laws, and the Trusts' financial accounting and reporting. The Board and Audit Committee for each Trust meet periodically with the Trusts' Chief Compliance Officer regarding the compliance of the Trusts with federal securities laws and the Trusts' internal compliance policies and procedures. In addition, both the Audit Committee and the full Board of each Trust regularly review information and materials concerning risks specific to the Trusts and Babson Capital, including presentations by various officers of the Trusts, investment personnel for the Trusts, Babson Capital, Corporate Audit, the independent auditors for the Trusts (KPMG LLP) and Counsel to the Trusts.

Information Concerning Committees and Meetings of the Board of Trustees

Each Board of Trustees has an Audit Committee, a Joint Transactions Committee, a Governance Committee and a Nominating Committee.

The Audit Committee of each Trust is comprised exclusively of Trustees who are not "interested persons" of the Trust, as defined in Section 2(a)(19) of the 1940 Act, and operates pursuant to a written Audit Committee Charter, which is available on each Trust's website, www.babsoncapital.com/mci and www.babsoncapital.com/mpv. A print copy of the Audit Committee Charter may also be obtained by calling, toll-free, 1-866-399-1516. The present members of the Audit Committee of each Trust are Donald E. Benson (Chairman), Michael H. Brown and Maleyne M. Syracuse. Each member of the Audit Committee qualifies as an "Independent Trustee" under the current listing standards of the New York Stock Exchange (the "Listing Standards") and the rules of the U.S. Securities and Exchange Commission ("SEC"). In accordance with the SEC's rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 and upon due consideration of the qualifications of each member of each Trust's Audit Committee, each Board designated Mr. Benson as the Trust's Audit Committee Financial Expert.

In accordance with the standards set forth in the Audit Committee Charter of each Trust, the Audit Committee is responsible for: oversight matters; financial statement and disclosure oversight matters; matters related to the hiring, retention, and oversight of each Trust's independent accountants; certain accounting and audit related oversight matters; and certain other matters as set forth in the Audit Committee Charter. During the twelve months ended December 31, 2012, the Audit Committee held eight meetings.

The Joint Transactions Committee of each Trust is comprised of all Trustees who are not "interested persons" of the Trust, as defined in Section 2(a)(19) of the 1940 Act. This Committee reviews certain joint investment transactions between each Trust and MassMutual pursuant to the conditions set forth in the Trust's SEC exemptive order under Section 17(d) of the 1940 Act and Rule 17d-1 thereunder. This Committee acts primarily by written consent (eighteen consents were executed by Committee members, approving thirty-three investments and turning down two investments during the past fiscal year). The Committee also met five times during the year in conjunction with meetings of each Trust's Board of Trustees.

The Governance Committee of each Trust is currently comprised of Robert E. Joyal (Chairman), William J. Barrett, Michael H. Brown, Donald Glickman and Maleyne M. Syracuse. The Governance Committee considers, evaluates and makes recommendations to the Board of Trustees of each Trust with respect to the structure, membership and function of the Board of Trustees and the Committees thereof, including the compensation of the Trustees. During the twelve months ended December 31, 2012, the Governance Committee held one meeting.

The Nominating Committee of each Trust currently is comprised of all Independent Trustees and is chaired by William J. Barrett. A current copy of each Trust's Nominating Committee Charter can be found on each Trust's website, www.babsoncapital.com/mci and www.babsoncapital.com/mpv. This Committee met four times during fiscal year 2012.

The Nominating Committee is responsible for identifying and nominating individuals to serve as Trustees who are not "interested persons" of each Trust ("Independent Trustees"). The Nominating Committee Charter contemplates that all nominees for Independent Trustees have a college degree or, in the judgment of the Committee, equivalent business experience. In addition, the Committee may take into account a wide variety of factors in considering Trustee candidates, giving such weight to any individual factor(s) as it deems appropriate, including but not limited to: availability and commitment of a candidate to attend meetings and perform his or her responsibilities on each Board; relevant industry and related experience; educational background; depth and breadth of financial expertise; and an assessment of the candidate's ability, judgment, expertise, reputation, and integrity. In the case of a shareholder recommended candidate, the Committee may also consider any other facts and circumstances attendant to such shareholder submission as may be deemed appropriate by the Committee. Different factors may assume greater or lesser significance at particular times, in light of the Board's present composition and the Committee's (or the Board's) perceptions about future issues and needs.

When each Board has or expects to have a vacancy for an Independent Trustee, the Nominating Committee will consider candidates recommended by each Trust's current Trustees; each Trust's shareholders; each Trust's officers; each Trust's investment adviser; and any other source the Committee deems to be appropriate. Shareholder recommendations to fill vacancies on the Board for Independent Trustees must be submitted in accordance with the provisions of the Nominating Committee Charter, which requires that shareholder recommendations be timely received, and contain biographical and other necessary information regarding the candidate that would be required for the Trust to meet its disclosure obligations under the proxy rules. The Nominating Committee will evaluate nominee candidates properly submitted by shareholders in the same manner as it evaluates candidates recommended by other sources.

During the past fiscal year, each Board of Trustees held five regular meetings (one of which was held by means of a telephone conference call). During the past fiscal year, each Trustee of each Trust attended all of the meetings of the Board of Trustees and all of the Committees of the Board on which s/he served.

Transactions with and Remuneration of Officers and Trustees

Pursuant to the Investment Services Contract between MCI and Babson Capital and the Investment Advisory and Administrative Services Contract between MPV and Babson Capital (each a "Contract"), Babson Capital paid the compensation and expenses of the Trusts' officers and of all Trustees of the Trusts who were officers or employees of Babson Capital.

Trustees who are not officers or employees of Babson Capital receive an annual retainer paid by MCI of $30,000 and by MPV of $20,000. Each Trust also pays an additional annual retainer fee to the Chairman of the Audit Committee in the amount of $3,000. Trustees of MCI also receive a fee of $3,000 and Trustees of MPV receive a fee of $2,000 for each meeting of each Board which they attend ($1,500 and $1,000, respectively, for each meeting conducted by telephone conference call). Members of the Audit

Committee, Nominating Committee and Governance Committee of each Trust receive an additional fee of $1,800 from MCI and $1,200 from MPV per meeting attended, including meetings conducted by telephone conference call. During the fiscal year ended December 31, 2012, the aggregate direct remuneration to these Trustees and reimbursement of their out-of-pocket expenses paid was approximately $457,918 for MCI and $311,218 for MPV.

The following table discloses the compensation paid to each Trust's Trustees (not including reimbursement for out-of-pocket expenses) for the fiscal year ended December 31, 2012. The Trusts, Babson Capital Global Short Duration High Yield Fund, MassMutual Premier Funds, MML Series Investment Funds, MassMutual Select Funds, and MML Series Investment Funds II are collectively referred to in the table below as the "Fund Complex". The Trustees do not receive pension or retirement benefits.

Name of Trustee	Aggregate Compensation from MCI		Aggregate Compensation from MPV		Total Compensation from Fund Complex	
William J. Barrett	$ 52,500		$ 35,000		$ 87,500	
Donald E. Benson	68,100		46,400		114,500	
Michael H. Brown	66,900		44,600		111,500	
Donald Glickman	52,500		35,000		87,500	
Edward P. Grace, III	48,900		32,600		81,500	
Martin T. Hart ***	50,700		33,800		84,500	
Robert E. Joyal	None	*	None	*	245,463	**
Clifford M. Noreen	None	*	None	*	None	
Susan B. Sweeney ****	36,600		24,400		200,360	
Maleyne M. Syracuse	66,900		44,600		111,500	
Total	$ 443,100		$ 296,400		$ 1,124,323	

*No compensation is paid by either Trust to Trustees who are "interested persons" of the Trust.

**Mr. Joyal also serves as a Trustee of four open-end investment companies, MassMutual Select Funds, MML Series Investment Funds, MML Series Investment Funds II and MassMutual Premier Funds, all managed by MassMutual, the ultimate parent of Babson Capital. Mr. Joyal received $245,463 in total compensation from the Fund Complex (including interest paid through the deferred compensation plans of MassMutual Select Funds and MML Series Investment Funds) for the fiscal year ended December 31, 2012.

***Mr. Hart was a Trustee until his resignation.

****Ms. Sweeney also served as a Trustee of four open-end investment companies, MassMutual Select Funds, MML Series Investment Funds, MML Series Investment Funds II and MassMutual Premier Funds, all managed by MassMutual, the ultimate parent of Babson Capital. Ms. Sweeney received $139,360 in total compensation for such service, in addition to her compensation from the Trusts.

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PROPOSAL 2

CONVERSION OF EACH TRUST'S INVESTMENT OBJECTIVE
FROM FUNDAMENTAL TO NON-FUNDAMENTAL

Summary Description of the Proposal

Shareholders of MCI and MPV are being asked to approve the conversion of their respective investment objective from "fundamental" (i.e., cannot be changed without shareholder approval) to "non-fundamental" (i.e., can be changed by the Boards without shareholder approval). If this proposal is approved, the Boards will have the authority to modify each Trust's investment objective in the future without shareholder approval.

Background

Each Trust is a closed-end management investment company registered under the 1940 Act. At the time that MCI and MPV were launched, in 1971 and 1988, respectively, it was not uncommon to have an investment objective that was fundamental, meaning it could not be changed without shareholder approval. For more recently launched funds, however, it has become common to have an investment objective that is non-fundamental, meaning that it can be changed by the Boards without shareholder approval. Classifying the investment objective as non-fundamental would afford the Boards more flexibility to respond to changes in the market, while avoiding the costs and delays associated with a shareholder vote.

Based on input and recommendations from Babson Capital, the Boards have determined that making each Trust's investment objective non-fundamental is in the best interest of the Trusts and their respective shareholders, and recommend the same for approval by shareholders. The Boards considered that making this change will empower the Boards to approve changes to each Trust's investment objective in the future in response to changing market conditions or other developments without the delay and expense of a proxy solicitation. In addition, Babson Capital and the Boards took into account that this change would bring the Trusts in line with other more recently organized funds. If this proposal is approved, the Boards will have the authority to modify each Trust's investment objective in the future without shareholder approval.

Subject to shareholder approval of this proposal, the Boards have approved certain changes to MCI's investment objective (as so revised, the "New MCI Objective") and to MPV's investment objective (as so revised, the "New MPV Objective," and together with the New MCI Objective, the "New Objectives"). Currently, MCI's investment objective requires that its investments in long-term debt obligations and preferred stocks ("direct placement securities") be accompanied "in each case" by interests, rights or privileges ("equity features"). MPV's investment objective currently requires MPV to invest in privately placed fixed-income securities ("private placement securities") "at least half of which will include equity features." Babson Capital has advised the Boards that direct placement securities or private placement securities accompanied by equity features have in the last few years become increasingly less common than they were when the Trusts were launched, and the Boards and Babson Capital believe that it would be in the best interests of each Trust and its shareholders to permit each Trust to invest (for MCI), or to invest more than half of its investments (for MPV), in direct placement securities or private placement securities that are not accompanied by equity features. Babson Capital believes that it will become increasingly difficult to identify a large enough number of issuances accompanied by equity features to permit the Trusts to diversify their holdings to the extent they have been able to in the past. While Babson Capital expects to continue to seek investments with equity features and to consider the relative attractiveness of such features when evaluating competing investment opportunities, Babson Capital believes that the proposed changes will offer the Trusts increasing investment flexibility. Many of MCI's and MPV's competitors are able to invest in direct placement securities or private placement securities without equity features and the Board believes that such change will help Babson Capital to continue to find appropriate investments and to appropriately diversify those investments for MCI and MPV. Babson Capital believes that the Trusts and their respective shareholders will benefit from the greater investment flexibility afforded by the New Objectives.

The New MCI Objective the Board has approved, subject to shareholder approval of this Proposal 2, would be as follows (marked to show changes from MCI's current investment objective):

"Investment Objective. Registrant's investment objective is to maintain a portfolio of securities providing a fixed yield and at the same time offering an opportunity for capital profits. Registrant invests, by direct purchase from issuers or dealers, in long-term debt obligations and preferred stocks ("direct placement securities"). Such direct placement securities may, in some cases, be accompanied in each case by (and forming a part of the "package" purchased) interests, rights, or privileges ("equity features") available to the holder which, if separately transferable, will themselves provide the possibility for capital profit or, if not separately transferable, will provide the means for enhancing the value of the obligations or preferred stocks for ultimate sale. Obvious examples of such rights or privileges are rights to convert the direct placement securities into shares of common stock of the issuer or an affiliate or warrants for the purchase of such shares. However, Registrant is not limited to traditional equity features, but may find the opportunity for capital appreciation available in rights to payments contingent on the earnings of a company, rights to mineral production payments, privileges with respect to the acquisition or proceeds of sale of equity interest, or other rights or privileges.

Registrant, on the basis of experience, expects that when it realizes proceeds from the sale, payment or redemption of investments or from the issuance of securities by Registrant, new direct placement securities appropriate for investment by Registrant will not always be available. In such event, Registrant will invest such proceeds, at least temporarily, in publicly traded bonds of investment quality and in other marketable debt securities (not excluding money market instruments, commercial paper and cash equivalents where greater liquidity is deemed advisable) and, to an extent not exceeding 5% of portfolio market value, in marketable common stocks. The value of Registrant's total investments in this general category may at times reach as high as 50% of the market value of Registrant's portfolio, but Registrant will in any event be seeking to apply the funds so invested at the earliest opportunity to the purchase of direct placement securities as described above.

Registrant's investment objective cannot be changed without the vote of the holders of a majority of Registrant's outstanding voting securities.

Registrant's investment objective may be changed without shareholder approval."

The New MPV Objective the Board has approved, subject to shareholder approval of this Proposal 2, would be as follows (marked to show changes from MPV's current investment objective):

"Recital of Investment Objective. The investment objective of Registrant is to maximize total return by providing a high level of current income, the potential for growth of such income, and capital appreciation, by investment primarily in a portfolio of privately placed fixed-income securities ("Private Placement Securities") at least half of which normally will include equity features. Registrant may also invest in publicly-traded debt obligations, with an emphasis on those with equity features, and in convertible preferred stocks ("Publicly-Traded Securities"), and temporarily in high quality, readily marketable securities, which include short-term securities issued or guaranteed by the U.S. government and agencies of the U.S. government and repurchase agreements in respect thereof, bank certificates of deposit, bankers' acceptances, and commercial paper rated A-1 or A-2 by Standard & Poor's Corporation or P-1 or P-2 by Moody's Investors Services, Inc. ("Readily Marketable Securities").

Registrant's investment objective set forth above may not be changed without the approval of the lesser of (i) the holders of 67% or more of the voting securities of Registrant represented at a meeting if the holders of more than 50% of the outstanding voting securities are present in person or by proxy or (ii) the holders of more than 50% of the outstanding voting securities (a "Majority Shareholder Vote").

Registrant's investment objective may be changed without shareholder approval."

Babson Capital and the Boards considered that the purpose of the New Objectives is to increase each Trust's investment flexibility, and noted that financial markets have experienced meaningful changes in recent years, particularly in response to regulatory changes and the global financial crisis, as well as changing investment preferences and risk tolerance within the private equity industry. Babson Capital and the Boards considered that the competitive landscape for the Trusts' investments (primarily corporate mezzanine debt) has changed in response to these factors. Babson Capital and the Boards also noted that many of the Trusts' competitors are able to invest in direct placement securities and private placement securities that are not accompanied by equity features.

If this proposal is approved, the Boards will have the authority to modify each Trust's investment objective in the future without shareholder approval. If shareholders of either Trust do not approve this proposal, such Trust's investment objective will remain unchanged and will continue to be "fundamental."

Required Vote

For each of MCI and MPV, approval of this Proposal 2 requires the affirmative vote of the holders of a majority the Trust's outstanding voting securities, which for this purpose means the affirmative vote of the lesser of (i) more than 50% of the outstanding voting securities of such Trust or (ii) 67% of more of the outstanding voting securities of such Trust present at the Meeting if more than 50% of the outstanding voting securities of the Trust are present in person or represented by proxy.

THE BOARDS, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMEND THAT THE SHAREHOLDERS OF EACH TRUST VOTE FOR THE PROPOSAL TO MAKE EACH TRUST'S FUNDAMENTAL INVESTMENT OBJECTIVE NON-FUNDAMENTAL.

AUDIT COMMITTEE REPORT OF EACH TRUST

Each Trust's Audit Committee oversees the Trust's financial reporting process on behalf of each Trust's Board of Trustees and operates under a written Charter adopted by each Trust's Board of Trustees. The Audit Committee meets with each Trust's management ("Management") and independent registered public accountants and reports the results of its activities to each Trust's Board of Trustees. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In connection with each Committee's and independent registered accountant's responsibilities, Management advised that each Trust's financial statements were prepared in conformity with generally accepted accounting principles.

Accordingly, each Trust's Audit Committee has:

Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2012 with Management and KPMG LLP, each Trust's independent registered public accountants;

Discussed with KPMG LLP those matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards); and

Received the written disclosure and the letter from KPMG LLP required by the Public Company Accounting Oversight Board Rule 3526 (Communications with Audit Committee Concerning Independence) and has discussed with KPMG LLP its independence.

Each Trust's Audit Committee has also reviewed the aggregate fees billed for professional services rendered by KPMG LLP for 2011 and 2012 for each Trust and for the non-audit services provided to Babson Capital and Babson Capital's parent, MassMutual. As part of this review, the Audit Committee considered whether the provision of such non-audit services was compatible with maintaining the principal accountant's independence.

In reliance on the reviews and discussions referred to above, each Trust's Audit Committee presents this Report to each Trust's Board of Trustees and recommends that each Trust's Board of Trustees (1) include the December 31, 2012 audited financial statements in the Annual Report to Shareholders for the fiscal year ended December 31, 2012, and (2) file such Annual Report with the Securities and Exchange Commission and the New York Stock Exchange.

Each Trust's Audit Committee appointed the firm of KPMG LLP as the Trust's independent registered public accountant for the fiscal year ending December 31, 2013, and, in connection therewith, KPMG LLP will prepare all of each Trust's tax returns for the fiscal year ending December 31, 2013.

SUBMITTED BY THE AUDIT COMMITTEE OF EACH TRUST'S BOARD OF TRUSTEES

Donald E. Benson, Audit Committee Chair
Michael H. Brown, Audit Committee Member
Maleyne M. Syracuse, Audit Committee Member

February 20, 2013

Each Trust's Board of Trustees reviewed this Report and approved the audited financial statements for publication in each Trust's Annual Report.

THE TRUSTS' INDEPENDENT AUDITORS

KPMG LLP ("KPMG") audited the financial statements of each Trust, Babson Capital, and MassMutual for the fiscal year ended December 31, 2012. KPMG's audit report for each Trust contained no qualifications or modifications. A KPMG representative is expected to be present at the upcoming Annual Meeting. This representative shall have the opportunity to make a statement if he or she desires to do so, and it is expected that such representative will be available to respond to appropriate questions from shareholders. As noted above, KPMG will audit each Trust's 2013 financial statements and prepare each Trust's 2013 Federal and state tax returns.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

	Fees Billed to MCI			
	KPMG LLP Year Ended December 31, 2012		KPMG LLP Year Ended December 31, 2011	
Audit Fees	$	61,500	$	61,500
Audit-Related Fees		0		0
Tax Fees		44,100		32,235
All Other Fees		0		0
Total Fees	$	105,600	$	93,735

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Fees Billed to MPV

	KPMG LLP Year Ended December 31, 2012		KPMG LLP Year Ended December 31, 2011	
Audit Fees	$	61,500	$	61,500
Audit-Related Fees		0		0
Tax Fees		44,100		32,235
All Other Fees		0		0
Total Fees	$	105,600	$	93,735

Non-Audit Fees Billed to
Babson Capital and MassMutual

	KPMG LLP Year Ended December 31, 2012		KPMG LLP Year Ended December 31, 2010	
Audit-Related Fees	$	685,475	$	928,575
Tax Fees		93,100		9,000
All Other Fees		0		0
Total Fees	$	778,575	$	937,575

The category “Audit-Related Fees” reflects fees billed by KPMG for various non-audit and non-tax services rendered to the Trusts, Babson Capital and MassMutual, such as SAS 70 review, IFRS consulting and agreed upon procedures reports. Preparation of Federal, state and local income tax returns and tax compliance work are representative of the fees reported in the “Tax Fees” category. The category “All Other Fees” represents fees billed by KPMG for consulting rendered to Babson Capital and MassMutual. The Sarbanes-Oxley Act of 2002 and its implementing regulations allows each Trust’s Audit Committee to establish a pre-approval policy for certain services rendered by the Trust’s independent accountants. During 2012, each Trust’s Audit Committee approved all of the services rendered to the Trust by KPMG and did not rely on such a pre-approval policy for any such services.

The 2011 fees billed represent final 2011 amounts, which may differ from the preliminary figures available as of the publication date of the Trusts’ 2012 Proxy Statement and includes, among other things, fees for services that may not have been billed as of the publication date of the Trusts’ 2012 Proxy Statement, but are now properly included in the 2011 fees billed to each Trust, Babson Capital and MassMutual.

OTHER BUSINESS

The Board of Trustees of each Trust knows of no business to be brought before the Meeting other than as set forth above. If, however, any other matters properly come before the Meeting, it is the intention of the persons named in the enclosed proxy card to vote proxies on such matters in accordance with their best judgment.

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INFORMATION ABOUT VOTING PROXIES AND THE MEETING

Manner of Voting Proxies

Votes cast by proxy or in person at the Meeting will be counted by persons appointed by each Trust to act as election inspectors for the Meeting. The election inspectors will count the total number of votes cast "for" approval of the Proposals for purposes of determining whether sufficient affirmative votes have been cast. All proxies received, including proxies that reflect (i) broker non-votes (i.e., shares held by brokers or nominees as to which (a) instructions have not been received from the beneficial owners or the persons entitled to vote, and (b) the broker or nominee does not have discretionary voting power on a particular matter), (ii) abstentions or (iii) the withholding of authority to vote for a nominee for election as Trustee, will be counted as shares that are present on a particular matter for purposes of determining the presence of a quorum. The presence at the Meeting, in person or by proxy, of shareholders entitled to cast a majority of the votes shall be a quorum for the transaction of business for each Proposal. With respect to Proposal 1, neither abstentions nor broker non-votes, if any, will have an effect on the outcome of Proposal 1. With respect to Proposal 2, abstentions and broker non-votes, if any, will have the effect of votes against Proposal 2.

Shareholders of each Trust are entitled to one vote, on each matter on which the shareholder is entitled to vote, for each share of the Trust that such shareholder owns at the close of business on February 19, 2013. Each fractional share is entitled to a proportionate fractional vote.

Instructions for Voting Proxies

The giving of a proxy will not affect a shareholder's right to vote in person should the shareholder decide to attend the Meeting. To vote by mail, please mark, sign, date and return the enclosed proxy card(s) following the instructions printed on the card. Please refer to your proxy card(s) for instructions for voting by telephone or internet.

Revocation of Proxies

Any person giving a proxy has the power to revoke it by mail or in person at any time prior to its exercise by executing a superseding proxy or by submitting a notice of revocation to the Trust. All properly executed and unrevoked proxies received in time for the Meeting will be voted in accordance with the instructions contained therein.

Adjournment

If sufficient votes in favor of any of the proposals set forth in the Notice of Joint Annual Meeting of Shareholders are not received by the time scheduled for the Meeting or if the quorum required for a proposal has not been met, the persons named as proxies may propose adjournments of the Meeting with respect to such proposal(s) for periods of not more than 120 days to permit further solicitation of proxies. Any adjournment will require the affirmative vote of a majority of the votes cast on the proposal in person or by proxy at the session of the Meeting to be adjourned. The persons named as proxies will vote in favor of adjournment those proxies that they are entitled to vote in favor of the proposal. They will vote against any such adjournment those proxies required to be voted against the proposal. The Trusts will pay the costs of any additional solicitation and of any adjourned session. Any proposals for which sufficient affirmative votes have been received by the time of the Meeting may be acted upon and considered final regardless of whether the Meeting is adjourned to permit additional solicitation with respect to any other proposal.

INVESTMENT ADVISER

Babson Capital provides investment management and certain administrative services to MCI pursuant to an Investment Services Contract and to MPV pursuant to an Investment Advisory and Administrative Services Contract.

Babson Capital (including its wholly-owned subsidiaries) currently has over $160 billion in assets under management and provides investment management services to registered investment companies, unregistered investment companies and institutional investors (such as insurance companies, pension plans, endowments and foundations).

MM Asset Management Holding LLC is the direct owner of 100%

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of the voting shares of Babson Capital. MassMutual Holding LLC owns all of the voting shares of MM Asset Management Holding LLC. MassMutual owns all of the voting shares of MassMutual Holding LLC. MassMutual, MassMutual Holding LLC and MM Asset Management Holding LLC are located at 1295 State Street, Springfield, Massachusetts 01111. Babson Capital's principal office is located at 1500 Main Street, Springfield, Massachusetts 01115.

CERTAIN ADMINISTRATIVE SERVICES

Babson Capital indirectly provides certain administrative services to each Trust including, but not limited to, accounting services, meeting facilities, legal support, report preparation, and other services. Babson Capital's principal address is 1500 Main Street, Springfield, Massachusetts 01115.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Each Trust's Trustees and certain officers, investment advisers, certain affiliated persons of the investment advisers, and persons who own more than 10% of any class of outstanding securities of each Trust are required to file forms reporting their affiliation with each Trust and reports of ownership and changes in ownership of each Trust's securities with the SEC and the New York Stock Exchange. These persons and entities are required by SEC regulation to furnish each Trust with copies of all such forms they file. Based solely on a review of these forms furnished to the Trusts as well as certain internal documents, each Trust believes that its Trustees and relevant officers, Babson Capital, and its relevant affiliated persons have all complied with applicable filing requirements during each Trust's fiscal year ended December 31, 2012 with the exception of William J. Barrett who filed a late Form 4 for MPV.

PROPOSALS BY SHAREHOLDERS AND COMMUNICATIONS WITH THE BOARD OF TRUSTEES

Any shareholder intending to present a proposal at the Annual Meeting to be held in 2014 who wishes to have such proposal included in the Trust's proxy material for that meeting, should forward his/her written proposal to the Trust, Attention: Secretary. Proposals must be received on or before November 12, 2013, to be considered for inclusion in the Trust's proxy material for its 2014 Annual Meeting.

Pursuant to procedures approved by each Trust's Board of Trustees, including a majority of the Trustees who are not "interested persons" of the Trust as defined in Section 2(a)(19) of the 1940 Act, shareholders may mail written communications to the Board of Trustees by writing the Trust's Chief Financial Officer at the office of the Trust's investment adviser or by emailing the respective Trust's Chief Financial Officer at mcimailbox@massmutual.com or mpvmailbox@massmutual.com. When writing to a Trust's Board of Trustees, shareholders should identify themselves, the fact that the communication is directed to the Board of Trustees, and any relevant information regarding their Trust holdings.

ADDITIONAL INFORMATION

Proxies will be solicited by mail and may be solicited in person or by telephone, electronically, or facsimile by officers of each Trust. The expenses connected with the solicitation of these proxies and with any further proxies which may be solicited by each Trust's officers in person, by telephone, or by facsimile will be borne by each respective Trust. The Trusts have engaged Broadridge to provide shareholder meeting services, including vote solicitation and tracking. It is anticipated that the cost of these services will be approximately $64,000 for the Trusts and may increase in the event any vote is contested or increased solicitation efforts are required. The Trusts will reimburse banks, brokers, and other persons holding each respective Trust's shares registered in their names or in the names of their nominees, for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares, which reimbursement will not be submitted to a vote of each respective Trust's shareholders.

Each Trust will arrange for at least one Trustee to attend its 2013 Annual Meeting of Shareholders; will encourage all of its Trustees to attend its Annual Meetings of Shareholders; and will endeavor to arrange Annual Meetings of Shareholders on the same date as a Board of Trustees meeting to facilitate Trustee attendance. Five of the Trusts' Trustees attended the April 27, 2012 Annual Meeting.

Only one copy of the Proxy Statement may be mailed to each household, even if more than one person in the household is a Trust shareholder of record. If a shareholder needs an additional copy of this Proxy Statement, please contact the Trust at 1-866-399-1516. Shareholders may also access a copy of the Proxy Statement online at https://www.proxyvote.com, www.babsoncapital.com/mci and www.babsoncapital.com/mpv. If any shareholder does not want the mailing of his or her Proxy Statement to be combined with those for other members of the shareholder's household, please contact:

DST Systems, Inc.
P.O. Box 219086
Kansas City, MO 64121-9086
or by telephone at
1-800-647-7374
or contact your financial intermediary.

The Annual Report of each Trust for its fiscal year ended December 31, 2012, including financial statements, a schedule of each Trust's investments as of such date and other data, was mailed on or about February 28, 2013, to all shareholders of record. Each Trust's most recent Annual Report is available on the internet at http://www.babsoncapital.com/mci and http://www.babsoncapital.com/mpv. Shareholders may also request a copy of the Annual Report and the most recent semi-annual report, which will be furnished without charge, by calling (toll-free) the Trusts' Transfer Agent, DST Systems, Inc., at 1-800-647-7374.

CIPI6061

BABSON CAPITAL CORPORATE INVESTORS C/O PROXY SERVICES P.O. BOX 9112 FARMINGDALE, NY 11735	To vote by Internet 1) Read the Joint Proxy Statement and have the proxy card below at hand. 2) Go to website www.proxyvote.com 3) Follow the instructions provided on the website. To vote by Mail 1) Read the Joint Proxy Statement. 2) Check the appropriate boxes on the proxy card below. 3) Sign and date the proxy card. 4) Return the proxy card in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M53116-P35557 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

BABSON CAPITAL CORPORATE INVESTORS

Vote on Trustees		For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the name(s) of the nominee(s) on the line below.
1.	Election of Trustees - for three-year terms, or until their respective successors are duly elected and qualified. Nominees for election: 01) Robert E. Joyal 02) Edward P. Grace, III 03) Susan B. Sweeney	o	o	o	______________
		For	Against	Abstain	
2.		o	o	o	

	Make Investment Objective Non-Fundamental - to approve the conversion of the Trust's investment objective from "fundamental" to "non-fundamental," which would permit the Board of Trustees to modify the objective in response to changing market conditions and other developments without the costs and delays of a proxy solicitation.			
		For	Against	Abstain
3.	Other Business	o	o	o
	In their discretion, the proxy or proxies are authorized to vote upon such other business or matters as may properly come before the Annual Meeting or any adjournment or adjournments thereof.			

Please sign exactly as your name or names appear. When signing as joint tenant, all parties to the joint tenancy should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature [Joint Owners]	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Joint Proxy Statement is available at http://www.babsoncapital.com/mci or at www.proxyvote.com.

M53117-P35557

BABSON CAPITAL CORPORATE INVESTORS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Christopher A. DeFrancis and James M. Roy, and each of them, attorneys and proxies of the undersigned, with power of substitution to vote all shares of Babson Capital Corporate Investors (the "Trust") which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Trust to be held in the Oak Room of Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, on Friday, April 19, 2013, at 1:00 p.m. Eastern Time, and at any adjournments thereof (the "Annual Meeting").

THIS PROXY WILL BE VOTED ON ITEM (1) AND ITEM (2) IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN ON THIS CARD, AND IN THE ABSENCE OF INSTRUCTIONS THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE FOR ITEM (1) AND FOR ITEM (2).

THIS PROXY WILL BE VOTED ON ITEM (3) IN THE SOLE AND ABSOLUTE DISCRETION OF THE PROXY, AND IN THE ABSENCE OF INSTRUCTIONS, THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE ON A MATTER RAISED PURSUANT TO ITEM (3).

PLEASE SIGN AND DATE ON THE REVERSE SIDE.

BABSON CAPITAL PARTICIPATION INVESTORS
C/O PROXY SERVICES
P.O. BOX 9112
FARMINGDALE, NY 11735

To vote by Internet

1) Read the Joint Proxy Statement and have the proxy card below at hand.
2) Go to website www.proxyvote.com
3) Follow the instructions provided on the website.

To vote by Mail

1) Read the Joint Proxy Statement.
2) Check the appropriate boxes on the proxy card below.
3) Sign and date the proxy card.
4) Return the proxy card in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M53118-P35557 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

BABSON CAPITAL PARTICIPATION INVESTORS

Vote on Trustees		For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the name(s) of the nominee(s) on the line below.
1.	Election of Trustees - for three-year terms, or until their respective successors are duly elected and qualified. Nominees for election: 01) Robert E. Joyal 02) Edward P. Grace, III 03) Susan B. Sweeney	o	o	o	______________
		For	Against	Abstain	
2.	Make Investment Objective Non-Fundamental - to approve	o	o	o	

	the conversion of the Trust's investment objective from "fundamental" to "non-fundamental," which would permit the Board of Trustees to modify the objective in response to changing market conditions and other developments without the costs and delays of a proxy solicitation.			
		For	Against	Abstain
3.	Other Business	o	o	o
	In their discretion, the proxy or proxies are authorized to vote upon such other business or matters as may properly come before the Annual Meeting or any adjournment or adjournments thereof.			

Please sign exactly as your name or names appear. When signing as joint tenant, all parties to the joint tenancy should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

Signature [PLEASE SIGN WITHIN BOX] Date Signature [Joint Owners] Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Joint Proxy Statement is available at http://www.babsoncapital.com/mci or at www.proxyvote.com.

M53119-P35557

BABSON CAPITAL PARTICIPATION INVESTORS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Christopher A. DeFrancis and James M. Roy, and each of them, attorneys and proxies of the undersigned, with power of substitution to vote all shares of Babson Capital Participation Investors (the "Trust") which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Trust to be held in the Oak Room of Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, on Friday, April 19, 2013, at 1:00 p.m. Eastern Time, and at any adjournments thereof (the "Annual Meeting").

THIS PROXY WILL BE VOTED ON ITEM (1) AND ITEM (2) IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN ON THIS CARD, AND IN THE ABSENCE OF INSTRUCTIONS THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE FOR ITEM (1) AND FOR ITEM (2).

THIS PROXY WILL BE VOTED ON ITEM (3) IN THE SOLE AND ABSOLUTE DISCRETION OF THE PROXY, AND IN THE ABSENCE OF INSTRUCTIONS, THE UNDERSIGNED HEREBY AUTHORIZES THE AFORESAID PROXY OR PROXIES TO VOTE ON A MATTER RAISED PURSUANT TO ITEM (3).

PLEASE SIGN AND DATE ON THE REVERSE SIDE.