

Main Street Capital CORP  
Form 497  
June 20, 2012

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[TABLE OF CONTENTS](#)

[Table of Contents](#)

**Filed Pursuant to Rule 497  
Registration Statement No. 333-173674**

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JUNE 20, 2012**

**PRELIMINARY PROSPECTUS SUPPLEMENT  
(to Prospectus dated May 25, 2012)**

## **Shares**

# **Main Street Capital Corporation**

## **Common Stock**

We are offering for sale \_\_\_\_\_ s hares of our common stock.

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

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

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

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

## Edgar Filing: Main Street Capital CORP - Form 497

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On June , 2012, the last reported sale price of our common stock on the New York Stock Exchange was \$ per share.

Shares of closed-end investment companies such as ours frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. In this regard, on June 14, 2012, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on June 13, 2013. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value" in the accompanying prospectus.

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

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

	Per share	Total
Public offering price	\$	\$
Underwriting discount (4.00%)	\$	\$
Proceeds, before expenses, to us (1)	\$	\$

(1) We estimate that we will incur approximately \$200,000 in offering expenses in connection with this offering.

The underwriters have the option to purchase up to an additional shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be \$ , the total underwriting discount (4.00%) will be \$ , and the total proceeds to us, before deducting estimated expenses payable by us of \$200,000, will be \$ .

**The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares on or about June , 2012.

**RAYMOND JAMES**

**BAIRD**

**JANNEY MONTGOMERY SCOTT**

**LADENBURG THALMANN & CO. INC.**

**BB&T CAPITAL MARKETS**

A DIVISION OF SCOTT & STRINGFELLOW, LLC

**SANDERS MORRIS HARRIS**

The date of this prospectus supplement is June , 2012

Table of Contents

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Prospectus Supplement</b>	
<u>Prospectus Summary</u>	<u>S-1</u>
<u>Fees and Expenses</u>	<u>S-8</u>
<u>Use of Proceeds</u>	<u>S-10</u>
<u>Capitalization</u>	<u>S-11</u>
<u>Underwriting (Conflicts of Interest)</u>	<u>S-12</u>
<u>Legal Matters</u>	<u>S-14</u>
<u>Independent Registered Public Accounting Firm</u>	<u>S-14</u>
<u>Available Information</u>	<u>S-15</u>
<b>Prospectus</b>	
<u>Prospectus Summary</u>	<u>1</u>
<u>Fees and Expenses</u>	<u>11</u>
<u>Risk Factors</u>	<u>13</u>
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>30</u>
<u>Use of Proceeds</u>	<u>31</u>
<u>Price Range of Common Stock and Distributions</u>	<u>31</u>
<u>Selected Financial Data</u>	<u>36</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Senior Securities</u>	<u>64</u>
<u>Business</u>	<u>65</u>
<u>Portfolio Companies</u>	<u>78</u>
<u>Management</u>	<u>89</u>
<u>Certain Relationships and Related Transactions</u>	<u>110</u>
<u>Control Persons and Principal Stockholders</u>	<u>112</u>
<u>Sales of Common Stock Below Net Asset Value</u>	<u>113</u>
<u>Dividend Reinvestment Plan</u>	<u>118</u>
<u>Description of Capital Stock</u>	<u>119</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>127</u>
<u>Regulation</u>	<u>133</u>
<u>Plan of Distribution</u>	<u>140</u>
<u>Custodian, Transfer and Distribution Paying Agent and Registrar</u>	<u>141</u>
<u>Brokerage Allocation and Other Practices</u>	<u>141</u>
<u>Legal Matters</u>	<u>141</u>
<u>Independent Registered Public Accounting Firm</u>	<u>141</u>
<u>Available Information</u>	<u>142</u>
<u>Privacy Notice</u>	<u>142</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

Table of Contents

**ABOUT THE PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which provides more information about the common stock we may offer from time to time. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control.

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.**

**Forward-Looking Statements**

Information contained in this prospectus supplement and the accompanying prospectus may contain forward-looking statements, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The matters described in the section titled "Risk Factors" in the accompanying prospectus and certain other factors noted throughout this prospectus supplement and the accompanying prospectus constitute cautionary statements identifying important factors with respect to any such forward-looking statements, including certain risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We undertake no obligation to revise or update any forward-looking statements but advise you to consult any additional disclosures that we may make directly to you or through reports that we may file in the future with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. We note that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in this prospectus supplement or the accompanying prospectus.

Table of Contents

**PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand the terms of the common stock offered hereby, you should read the entire prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the documents identified in the section titled "Available Information" in this prospectus supplement, as well as the sections titled "Selected Financial Data," "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations," "Interim Financial Statements" and "Risk Factors" in the accompanying prospectus. Except as otherwise noted, all information in this prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters' over-allotment option.*

**Organization**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first three months of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the acquisition of these remaining MSC II equity interests, MSCC owns 100% of MSC II as of March 31, 2012. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

MSCC has direct or indirect subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of these entities is to hold certain investments that

Table of Contents

generate "pass through" income for tax purposes. The Taxable Subsidiaries are each taxed at their normal corporate tax rates based on their taxable income.

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

**Overview**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt instruments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies and our Middle Market portfolio companies had weighted average annual revenues of \$476 million as of March 31, 2012. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties.

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

As of March 31, 2012, we had debt and equity investments in 53 LMM portfolio companies with an aggregate fair value of \$388.1 million, with a total cost basis of approximately \$322.3 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.9%. Approximately 77% of our total LMM portfolio investments at cost were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of March 31, 2012. At March 31, 2012, we had equity ownership in approximately 92% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of

Table of Contents

approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

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

As of March 31, 2012, we had Middle Market portfolio investments in 62 companies collectively totaling approximately \$251.0 million in fair value with a total cost basis of approximately \$249.8 million. The weighted average revenues for the 62 Middle Market portfolio company investments were approximately \$476 million. Our Middle Market debt investments are primarily in the form of debt investments and 86% of such debt investments at cost were secured by first priority liens on portfolio company assets as of March 31, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.2% as of March 31, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of March 31, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$25.1 million in both fair value and cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

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

Table of Contents

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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the quarter ended March 31, 2012, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 2.0% on an annualized basis, compared to 2.5% on an annualized basis for the quarter ended March 31, 2011 and 2.2% for the year ended December 31, 2011.

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

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

**Business Strategies**

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

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

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

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

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



Table of Contents

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

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

**Investment Criteria**

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

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

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

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

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

**Recent Developments**

During June 2012, our Board of Directors granted a total of approximately 139,000 shares of restricted stock to our executive officers, employees and non-employee directors pursuant to our equity compensation plans.

Our 2012 Annual Meeting of Stockholders (the "Annual Meeting") was held on June 14, 2012. At the Annual Meeting, our stockholders (i) re-elected each of Michael Appling, Jr., Joseph E. Canon, Arthur L. French, J. Kevin Griffin, Vincent D. Foster and Todd A. Reppert to our Board of Directors for a one-year term, and (ii) approved a proposal to authorize us, with the approval of our Board of Directors, to sell shares of our common stock during the next twelve months at a price below our then current net asset value per share, subject to certain limitations, including that the number of shares sold in each offering does not exceed 25% of our outstanding common stock immediately prior to such sale. On June 14, 2012, our Board of Directors also appointed Mr. Dwayne L. Hyzak, our Chief Financial Officer, as our Treasurer and Mr. Jason B. Beauvais, our General Counsel, as our Chief Compliance Officer, each effective immediately.

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

During May 2012, we expanded our credit facility from \$235.0 million to \$277.5 million. The \$42.5 million increase in total commitments included commitment increases by three lenders currently participating in the credit facility. The amended credit facility contains an accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments. The increase in total commitments provides us access to additional financing capacity in support of our future investment and operational activities.

During May 2012, we declared monthly dividends of \$0.145 per share for each of July, August and September 2012. These monthly dividends equal a total of \$0.435 per share for the third quarter of 2012.

During April 2012, we completed an LMM portfolio investment in Bridge Capital Solutions Corporation ("Bridge Capital"). The investment consists of \$5.0 million in first lien, senior secured debt with equity warrant participation. Headquartered on Long Island in Hauppauge, New York, Bridge Capital is a financial services firm that provides accelerated cash flow solutions to small businesses. The proceeds of our investment were used to refinance certain debt obligations of Bridge Capital and to provide additional liquidity to finance certain growth initiatives and for general working capital purposes.

### **The Offering**

Common stock offered by us	shares
----------------------------	--------

Common stock outstanding prior to this offering	shares
---	--------

Common stock to be outstanding after this offering	shares
--	--------

Over-allotment option	shares
-----------------------	--------

Use of proceeds	The net proceeds from this offering (without exercise of the over-allotment option and before deducting estimated expenses payable by us of approximately \$200,000) will be \$
-----------------	---

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our \$277.5 million credit facility. However, through re-borrowing of the initial repayments under our \$277.5 million credit facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds" below.

Dividends and distributions	Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time.
-----------------------------	--

Table of Contents

Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders.

When we make monthly distributions, we are required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.

In May 2012, we declared monthly dividends of \$0.145 per share for each of July, August and September 2012. These monthly dividends equate to a total of \$0.435 per share for the third quarter of 2012. Because the record date for the July 2012 dividend payment is prior to the date of this offering, investors who purchase shares of our common stock in this offering will not be entitled to receive such dividend. However, investors who purchase shares of our common stock in this offering will be entitled to receive the August 2012 dividend payment and subsequent monthly dividends provided that they continue to hold such shares.

Taxation

MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus.

Table of Contents

Risk factors	See "Risk Factors" beginning on page 13 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.
New York Stock Exchange symbol	"MAIN"

**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 supplement 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.

<b>Stockholder Transaction Expenses:</b>	
Sales load (as a percentage of offering price)	4.00% (1)
Offering expenses (as a percentage of offering price)	% (2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses (as a percentage of offering price)	%
<b>Annual Expenses (as a percentage of net assets attributable to common stock):</b>	
Operating expenses	3.34% (4)
Interest payments on borrowed funds	3.40% (5)
Income tax expense	1.48% (6)
Acquired fund fees and expenses	0.07% (7)
Total annual expenses	8.29%

- (1) Represents the underwriting discount with respect to the shares sold by us in this offering.
- (2) The offering expenses of this offering borne by us are estimated to be approximately \$200,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately %.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Operating expenses represent the estimated annual expenses of MSCC and its consolidated subsidiaries. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager.
- (5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (6) Income tax expense primarily relates to the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though these deferred taxes are not currently payable. Due to the variable nature of this expense and the difficulty in providing an estimate for future periods, this income tax expense estimate

Table of Contents

is based upon the actual amount of income tax expense for the year ended December 31, 2011. The ratio of total annual expenses to net assets, before income tax expense, would be 6.81%.

(7)

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

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 4.00% (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	\$ 124.5	\$ 279.6	\$ 424.7	\$ 747.6

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

Table of Contents

**USE OF PROCEEDS**

The net proceeds from the sale of the \_\_\_\_\_ shares of common stock in this offering are \$ \_\_\_\_\_, and \$ \_\_\_\_\_ if the underwriter's over-allotment option is exercised in full, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our \$277.5 million credit facility. However, through re-borrowing of the initial repayments under our \$277.5 million credit facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest bearing deposits or other short-term instruments. See "Risk Factors Risks Relating to Our Common Stock We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results" in the accompanying prospectus.

At June 19, 2012, we had approximately \$174 million outstanding under our \$277.5 million credit facility. Our credit facility matures on September 20, 2014, unless extended, and bears interest, at our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Amounts repaid under our \$277.5 million credit facility will remain available for future borrowings. As of March 31, 2012, the interest rate on our \$277.5 million credit facility was 2.8%.

An affiliate of BB&T Capital Markets, an underwriter in this offering, acts as agent and a lender under our \$277.5 million credit facility. As described above, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this credit facility, and such affiliate therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. See "Underwriting Conflicts of Interest" below.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization:

on an actual basis as of March 31, 2012; and

on an as-adjusted basis giving effect to the sale of \_\_\_\_\_ shares of our common stock in this offering at the public offering price of \$ \_\_\_\_\_ per share, less estimated underwriting discounts and offering expenses payable by us.

This table should be read in conjunction with "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Interim Financial Statements" in the accompanying prospectus.

	As of March 31, 2012	
	Actual	As-adjusted for this Offering (Unaudited)
	(in thousands, except shares)	
Cash and cash equivalents	\$ 88,955	\$ 88,955
Marketable securities and idle funds investments (cost: \$14,066)	14,345	(1)
<b>Total cash and cash equivalents, marketable securities and idle funds investments</b>	<b>\$ 103,300</b>	<b>\$</b>
SBIC debentures (par: \$220,000; par of \$95,000 is recorded at a fair value of \$76,586)	\$ 201,586	\$ 201,586
Credit facility	138,000	
Net asset value:		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 27,061,484 and _____ issued and outstanding, actual and as adjusted for this offering, respectively)	270	
Additional paid-in capital	367,242	
Accumulated net investment income, net of cumulative dividends of \$87,348	17,446	17,446
Accumulated net realized gain from investments, net of cumulative dividends of \$16,911	(15,414)	(15,414)
Net unrealized appreciation, net of income taxes	55,992	55,992
<b>Total net asset value</b>	<b>425,536</b>	
<b>Total capitalization</b>	<b>\$ 765,122</b>	<b>\$</b>

(1)

This table assumes that we will use any proceeds from this offering that are not used to repay outstanding indebtedness under our \$277.5 million credit facility to invest in marketable securities and idle funds investments until such time as we are able to invest such proceeds in LMM portfolio companies and Middle Market debt securities.

Table of Contents**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated June 11, 2012, the underwriters named below, for whom Raymond James & Associates, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

<b>Underwriter</b>	<b>Number of Shares</b>
Raymond James & Associates, Inc.	
Robert W. Baird & Co. Incorporated	
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	
Janney Montgomery Scott LLC	
Ladenburg Thalmann & Co. Inc.	
Sanders Morris Harris Inc.	
<b>Total</b>	

The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are severally obligated to take and pay for all shares of common stock offered hereby (other than those covered by the underwriters' over-allotment option described below) if any such shares are taken. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN."

**Over-Allotment Option**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of \_\_\_\_\_ additional shares of common stock at the public offering price set forth on the cover page hereof, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

**Lock-Up Agreements**

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 30 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at



Table of Contents

any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

**Underwriting Discounts**

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of \$ \_\_\_\_\_ per share below the public offering price. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters.

The following table provides information regarding the per share and total underwriting discount that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to \_\_\_\_\_ additional shares from us.

	Per Share	Total without Exercise of Over-allotment	Total with Full Exercise of Over-allotment
Underwriting discount payable by us on shares sold to the public	\$	\$	\$

We will pay all expenses incident to the offering and sale of shares of our common stock by us in this offering. We estimate that the total expenses of the offering, excluding the underwriting discount will be approximately \$200,000.

A prospectus supplement in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering. The representative may agree to allocate a number of shares to underwriters and selling group members for the sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations. The representative may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders.

**Price Stabilization, Short Positions and Penalty Bids**

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. An over-allotment involves syndicate sales of shares in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of shares in the open market after the distribution has been completed in order to cover syndicate short positions.

Stabilizing transactions consist of some bids or purchases of shares of our common stock made for the purpose of preventing or slowing a decline in the market price of the shares while the offering is in progress.

In addition, the underwriters may impose penalty bids, under which they may reclaim the selling concession from a syndicate member when the shares of our common stock originally sold by that syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions.

Table of Contents

Similar to other purchase transactions, these activities may have the effect of raising or maintaining the market price of the common stock or preventing or slowing a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. Except for the sale of shares of our common stock in this offering, the underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Neither the underwriters nor we make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the shares. In addition, neither the underwriters nor we make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Conflicts of Interest**

An affiliate of BB&T Capital Markets, an underwriter in this offering, acts as agent and a lender under our \$277.5 million credit facility. Certain of the net proceeds from the sale of our common stock, not including underwriting compensation, may be paid to such affiliate of BB&T Capital Markets in connection with the repayment of debt owed under our \$277.5 million credit facility. As a result, BB&T Capital Markets and/or its affiliate may receive more than 5% of the net proceeds of this offering, not including underwriting compensation.

The underwriters and/or their affiliates from time to time provide and may in the future provide investment banking, commercial banking and financial advisory services to us, for which they have received and may receive customary compensation.

In addition, the underwriters and/or their affiliates may from time to time refer investment banking clients to us as potential portfolio investments. If we invest in those clients, we may utilize net proceeds from this offering to fund such investments, and the referring underwriter or its affiliate may receive placement fees from its client in connection with such financing, which placement fees may be paid out of the amount funded by us.

The addresses of the underwriters are: Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716; BB&T Capital Markets, 901 East Byrd Street, Suite 410, Richmond, Virginia 23219; Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; Janney Montgomery Scott LLC, 1801 Market Street, Philadelphia, Pennsylvania 19103; Ladenburg Thalmann & Co. Inc., 520 Madison Avenue, 9th Floor, New York, New York 10022; Sanders Morris Harris Inc., 600 Travis, Suite 5800, Houston, Texas 77002.

**LEGAL MATTERS**

Certain legal matters regarding the shares of common stock offered hereby will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington D.C., and certain legal matters in connection with this offering will be passed upon for the underwriters by Bass, Berry & Sims PLC, Memphis, Tennessee.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements, Schedule 12-14 and the schedule of Senior Securities of Main Street Capital Corporation, included in the accompanying prospectus have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public

Table of Contents

accountants, upon the authority of said firm as experts in giving said reports. Grant Thornton LLP's principal business address is 333 Clay Street, 2700 Three Allen Center, Houston, Texas 77002.

**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 supplement. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus supplement.

We 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 [www.sec.gov](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](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Table of Contents

PROSPECTUS

**\$500,000,000**

## **Main Street Capital Corporation**

### **Common Stock**

---

We may offer, from time to time, up to \$500,000,000 of our common stock, \$0.01 par value per share, in one or more offerings. Our common stock may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. On June 15, 2011, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on June 14, 2012. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock; however, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. We are seeking approval of a similar proposal from our stockholders at our 2012 annual stockholders meeting to be held on June 14, 2012. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value."

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

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

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

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

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

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

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On May 22, 2012, the last reported sale price of our common stock on the New York Stock Exchange was \$23.38 per share.

---

## Edgar Filing: Main Street Capital CORP - Form 497

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

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

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

---

The date of this prospectus is May 25, 2012

---

Table of Contents

## TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	<u>1</u>
<u>Fees and Expenses</u>	<u>11</u>
<u>Risk Factors</u>	<u>13</u>
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>30</u>
<u>Use of Proceeds</u>	<u>31</u>
<u>Price Range of Common Stock and Distributions</u>	<u>31</u>
<u>Selected Financial Data</u>	<u>36</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Senior Securities</u>	<u>64</u>
<u>Business</u>	<u>65</u>
<u>Portfolio Companies</u>	<u>78</u>
<u>Management</u>	<u>89</u>
<u>Certain Relationships and Related Transactions</u>	<u>110</u>
<u>Control Persons and Principal Stockholders</u>	<u>112</u>
<u>Sales of Common Stock Below Net Asset Value</u>	<u>113</u>
<u>Dividend Reinvestment Plan</u>	<u>118</u>
<u>Description of Capital Stock</u>	<u>119</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>127</u>
<u>Regulation</u>	<u>133</u>
<u>Plan of Distribution</u>	<u>140</u>
<u>Custodian, Transfer and Distribution Paying Agent and Registrar</u>	<u>141</u>
<u>Brokerage Allocation and Other Practices</u>	<u>141</u>
<u>Legal Matters</u>	<u>141</u>
<u>Independent Registered Public Accounting Firm</u>	<u>141</u>
<u>Available Information</u>	<u>142</u>
<u>Privacy Notice</u>	<u>142</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to \$500,000,000 of our common stock on terms to be determined at the time of the offering. This prospectus provides you with a general description of the common stock that we may offer. Each time we use this prospectus to offer common stock, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under "Available Information" and "Risk Factors" before you make an investment decision.

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

Table of Contents

**PROSPECTUS SUMMARY**

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

**Organization**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first three months of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the acquisition of these remaining MSC II equity interests, MSCC owns 100% of MSC II as of March 31, 2012. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

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

**Overview**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle

Table of Contents

Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt instruments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies and our Middle Market portfolio companies had weighted average annual revenues of \$476 million as of March 31, 2012. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties.

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

As of March 31, 2012, we had debt and equity investments in 53 LMM portfolio companies with an aggregate fair value of \$388.1 million, with a total cost basis of approximately \$322.3 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.9%. Approximately 77% of our total LMM portfolio investments at cost were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of March 31, 2012. At March 31, 2012, we had equity ownership in approximately 92% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

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

As of March 31, 2012, we had Middle Market portfolio investments in 62 companies collectively totaling approximately \$251.0 million in fair value with a total cost basis of approximately



Table of Contents

\$249.8 million. The weighted average revenues for the 62 Middle Market portfolio company investments were approximately \$476 million. Our Middle Market debt investments are primarily in the form of debt investments and 86% of such debt investments at cost were secured by first priority liens on portfolio company assets as of March 31, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.2% as of March 31, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of March 31, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$25.1 million in both fair value and cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the quarter ended March 31, 2012, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 2.0% on an annualized basis, compared to 2.5% on an annualized basis for the quarter ended March 31, 2011 and 2.2% for the year ended December 31, 2011.

You should be aware that investments in our portfolio companies carry a number of risks including, but not limited to, investing in companies which may have limited operating histories and

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

financial resources and other risks common to investing in below investment grade debt and equity investments in private, smaller companies. Please see "Risk Factors Risks Related to Our Investments" for a more complete discussion of the risks involved with investing in our portfolio companies.

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

### **Business Strategies**

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

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

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

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

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

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

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

### **Risk Factors**

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

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

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



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

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

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

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

We may face increasing competition for investment opportunities.

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

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

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

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

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

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

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

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

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

## Edgar Filing: Main Street Capital CORP - Form 497

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

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

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

Table of Contents

subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

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

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

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

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

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

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

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

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

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

**Investment Criteria**

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

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

## Edgar Filing: Main Street Capital CORP - Form 497

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

Table of Contents

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

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

**Recent Developments**

During May 2012, we expanded the Credit Facility from \$235.0 million to \$277.5 million. The \$42.5 million increase in total commitments included commitment increases by three lenders currently participating in the Credit Facility. The amended Credit Facility contains an accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments. The increase in total commitments provides us access to additional financing capacity in support of our future investment and operational activities.

During May 2012, we declared monthly dividends of \$0.145 per share for each of July, August and September 2012. These monthly dividends equal a total of \$0.435 per share for the third quarter of 2012.

During April 2012, we completed an LMM portfolio investment in Bridge Capital Solutions Corporation ("Bridge Capital"). The investment consists of \$5.0 million in first lien, senior secured debt with equity warrant participation. Headquartered on Long Island in Hauppauge, New York, Bridge Capital is a financial services firm that provides accelerated cash flow solutions to small businesses. The proceeds of our investment were used to refinance certain debt obligations of Bridge Capital and to provide additional liquidity to finance certain growth initiatives and for general working capital purposes.

**The Offering**

We may offer, from time to time, up to \$500,000,000 of our common stock, on terms to be determined at the time of the offering. Our common stock may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

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

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



Table of Contents

Use of proceeds	We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds."
New York Stock Exchange symbol	"MAIN"
Dividends	<p>Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time.</p> <p>Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders.</p> <p>When we make monthly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.</p>
Taxation	<p>MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.</p> <p>Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations."</p>

Table of Contents

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.
Sales of common stock below net asset value	The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. On June 15, 2011, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on June 14, 2012. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock; however, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. We are seeking approval of a similar proposal from our stockholders at our 2012 annual stockholders meeting to be held on June 14, 2012. Sales by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See "Sales of Common Stock Below Net Asset Value."

Table of Contents

Available Information

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

Table of Contents**FEES AND EXPENSES**

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

<b>Stockholder Transaction Expenses:</b>	
Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	%(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>%(4)</b>
<b>Annual Expenses (as a percentage of net assets attributable to common stock):</b>	
Operating expenses	3.34%(5)
Interest payments on borrowed funds	3.40%(6)
Income tax expense	1.48%(7)
Acquired fund fees and expenses	0.07%(8)
<b>Total annual expenses</b>	<b>8.29%</b>

- (1) In the event that our common stock is sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our common stock, a corresponding prospectus supplement will disclose the estimated offering expenses.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Operating expenses represent the estimated annual expenses of MSCC and its consolidated subsidiaries. Because the Investment Manager is wholly owned by MSCC, MSCC does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager.
- (6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (7) Income tax expense primarily relates to the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though these deferred taxes are not currently payable. Due to the variable nature of this expense and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2011. The ratio of total annual expenses to net assets, before income tax expense, would be 6.81%.



Table of Contents

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

**Example**

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 81.5	\$ 236.6	\$ 381.7	\$ 704.7

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

Table of Contents

**RISK FACTORS**

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

**Risks Relating to Economic Conditions**

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

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

Although we have been able to secure access to additional liquidity, including our \$235 million credit facility, periodic follow-on equity offerings, and the increase in available leverage through the SBIC program as part of the American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill"), the potential for volatility in the debt and equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

**Risks Relating to Our Business and Structure**

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

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

Table of Contents

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

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

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

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

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

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

We compete for investments with other investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A



Table of Contents

significant part of our competitive advantage stems from the fact that the market for investments in LMM companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

MSMF and MSC II, our wholly owned subsidiaries, are licensed to act as SBICs and are regulated by the SBA. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in

Table of Contents

a few prohibited industries. Compliance with SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under SBA regulations.

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

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

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our common stock. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our common stockholders. We may also borrow from banks and other lenders, including under our \$235 million credit facility (the "Credit Facility"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our Credit Facility. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends. Leverage is generally considered a speculative investment technique.

As of March 31, 2012, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.1% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted average remaining maturity of 6.4 years as of March 31, 2012, and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us. In addition, as of March 31, 2012, we had \$138 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us.

Table of Contents

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

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

	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder	(21.9)%	(12.7)%	(3.5)%	5.6%	14.8%

(1) Assumes \$779.4 million in total assets, \$358.0 million in debt outstanding, \$425.5 million in net assets, and an average cost of funds of 4.2%. Actual interest payments may be different.

(2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our March 31, 2012 total assets of at least 1.9%.

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

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

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

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

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

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

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

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For

Table of Contents

more information regarding tax treatment, see "Material U.S. Federal Income Tax Considerations Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

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

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

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

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

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

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

Table of Contents

***We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.***

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument or possibly in other circumstances; (ii) contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the three months ended March 31, 2012, (i) approximately 3.9% of our total investment income was attributable to PIK interest income, (ii) approximately 2.4% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 2.0% of our total investment income was attributable to contractual preferred dividends, and (iv) approximately 0.1% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

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

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

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

Table of Contents

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

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

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

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

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

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

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. At our 2011 annual meeting of stockholders, our stockholders approved a proposal that authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 14, 2012. Continued access to this exception will require approval of similar proposals at future stockholder meetings. We are seeking such approval for the next year at our 2012 annual stockholders meeting to be held on June 14, 2012. At our 2008 annual meeting of stockholders, our stockholders approved a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or

Table of Contents

purchase shares of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

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

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

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

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

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

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

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

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new



Table of Contents

or different opportunities. Such changes could result in material differences to the strategies and plans set forth herein and may result in our investment focus shifting from the areas of expertise of our investment team to other types of investments in which our investment team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

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

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

**Risks Related to Our Investments**

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon

Table of Contents

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

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

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

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

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory

Table of Contents

occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

**Risks Relating to Our Common Stock**

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

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

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

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

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

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

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

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

Fluctuations in the trading prices of our shares may adversely affect the liquidity of the trading market for our shares and, if we seek to raise capital through future equity financings, our ability to raise such equity capital. The market price and liquidity of the market for our common stock may be

Table of Contents

significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

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

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

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

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

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

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

loss of a major funding source;

fluctuations in interest rates;

the operating performance of companies comparable to us;

departure of our key personnel;

global or national credit market changes; and

general economic trends and other external factors.

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

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

Table of Contents

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

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

our future operating results and dividend projections;

our business prospects and the prospects of our portfolio companies;

the impact of the investments that we expect to make;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

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

changes in the economy;

risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; and

future changes in laws or regulations and conditions in our operating areas.

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



Table of Contents

**USE OF PROCEEDS**

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

**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

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

The following table sets forth, for each fiscal quarter since our common stock began trading, the range of high and low closing prices of our common stock as reported on the NYSE and on the

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

NASDAQ Global Select Market, as applicable, and the sales price as a percentage of the net asset value per share of our common stock ("NAV").

	Price Range			Percentage of High Sales Price to NAV(2)	Percentage of Low Sales Price to NAV(2)
	NAV(1)	High	Low		
<b>Year ending December 31, 2012</b>					
Second Quarter (to May 22, 2012)	*	\$ 26.68	\$ 22.04	*	*
First Quarter	\$ 15.72	\$ 25.61	\$ 21.18	163%	135%
<b>Year ended December 31, 2011</b>					
Fourth Quarter	\$ 15.19	\$ 21.24	\$ 17.03	140%	112%
Third Quarter	14.49	19.39	15.98	134	110
Second Quarter	14.24	19.03	17.99	134	126
First Quarter	13.90	19.71	17.86	142	128
<b>Year ended December 31, 2010</b>					
Fourth Quarter	\$ 13.06	\$ 18.19	\$ 16.01	139%	123%
Third Quarter	12.73	16.90	14.78	133	116
Second Quarter	12.21	16.90	13.71	138	112
First Quarter	11.95	16.14	13.95	135	117
<b>Year ended December 31, 2009</b>					
Fourth Quarter	\$ 11.96	\$ 16.35	\$ 13.29	137%	111%
Third Quarter	12.01	14.25	13.03	119	108
Second Quarter	11.80	14.74	9.66	125	82
First Quarter	11.84	10.43	9.07	88	77
<b>Year ended December 31, 2008</b>					
Fourth Quarter	\$ 12.20	\$ 11.95	\$ 8.82	98%	72%
Third Quarter	12.49	14.40	11.38	115	91
Second Quarter	13.02	14.40	10.90	111	84
First Quarter	12.87	14.10	12.75	110	99
<b>Year ended December 31, 2007</b>					
October 5, 2007 to December 31, 2007(3)	\$ 12.85	\$ 15.02	\$ 13.60	117%	106%

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

On May 22, 2012, the last sale price of our common stock on the NYSE was \$23.38 per share, and there were approximately 205 holders of record of the common stock which did not include shareholders for whom shares are held in "nominee" or "street name."

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

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

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

The following table summarizes our dividends declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount(1)</b>
<b>Fiscal year 2012</b>			
May 1, 2012	August 21, 2012	September 14, 2012	\$ 0.145
May 1, 2012	July 20, 2012	August 15, 2012	\$ 0.145
May 1, 2012	June 21, 2012	July 16, 2012	\$ 0.145
March 6, 2012	May 21, 2012	June 15, 2012	\$ 0.140
March 6, 2012	April 20, 2012	May 15, 2012	\$ 0.140
March 6, 2012	March 21, 2012	April 16, 2012	\$ 0.140
December 8, 2011	February 22, 2012	March 15, 2012	\$ 0.135
December 8, 2011	January 18, 2012	February 15, 2012	\$ 0.135
December 8, 2011	December 21, 2011	January 16, 2012	\$ 0.135(2)
<b>Total</b>			<b>\$ 1.260</b>
<b>Fiscal year 2011</b>			
August 4, 2011	November 21, 2011	December 15, 2011	\$ 0.135(2)
August 4, 2011	October 20, 2011	November 15, 2011	\$ 0.135(2)
August 4, 2011	September 21, 2011	October 14, 2011	\$ 0.135(2)
June 7, 2011	June 22, 2011	July 15, 2011	\$ 0.130(2)
June 7, 2011	July 21, 2011	August 15, 2011	\$ 0.130(2)
June 7, 2011	August 19, 2011	September 15, 2011	\$ 0.130(2)
March 9, 2011	March 24, 2011	April 15, 2011	\$ 0.130(2)
March 9, 2011	April 21, 2011	May 16, 2011	\$ 0.130(2)
March 9, 2011	May 20, 2011	June 15, 2011	\$ 0.130(2)
December 9, 2010	February 22, 2011	March 15, 2011	\$ 0.125(2)
December 9, 2010	January 20, 2011	February 15, 2011	\$ 0.125(2)
December 9, 2010	January 6, 2011	January 14, 2011	\$ 0.125(2)
<b>Total</b>			<b>\$ 1.560</b>
<b>Fiscal year 2010</b>			
September 8, 2010	November 19, 2010	December 15, 2010	\$ 0.125(3)
September 8, 2010	October 21, 2010	November 15, 2010	\$ 0.125(3)
September 8, 2010	September 23, 2010	October 15, 2010	\$ 0.125(3)
June 3, 2010	August 20, 2010	September 15, 2010	\$ 0.125(3)
June 3, 2010	July 21, 2010	August 16, 2010	\$ 0.125(3)
June 3, 2010	June 21, 2010	July 15, 2010	\$ 0.125(3)
March 9, 2010	May 20, 2010	June 15, 2010	\$ 0.125(3)
March 9, 2010	April 21, 2010	May 14, 2010	\$ 0.125(3)
March 9, 2010	March 25, 2010	April 15, 2010	\$ 0.125(3)
December 8, 2009	February 22, 2010	March 15, 2010	\$ 0.125(3)
December 8, 2009	January 21, 2010	February 16, 2010	\$ 0.125(3)
December 8, 2009	January 6, 2010	January 15, 2010	\$ 0.125(3)
<b>Total</b>			<b>\$ 1.500</b>
<b>Fiscal year 2009</b>			
<b>Total</b>			<b>\$ 1.500(4)(5)</b>
<b>Fiscal year 2008</b>			
<b>Total</b>			<b>\$ 1.425(5)</b>



## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Date Declared	Record Date	Payment Date	Amount(1)
<b>Fiscal year 2007</b>			
Total			\$ 0.330(6)
Cumulative dividends declared or paid			\$ 7.575

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

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

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has issued private rulings indicating that this



Table of Contents

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

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

Table of Contents**SELECTED FINANCIAL DATA**

The selected financial and other data below reflects the consolidated operations of Main Street and its subsidiaries for the years ended December 31, 2007, 2008, 2009, 2010, and 2011 and for the three months ended March 31, 2011 and 2012. The selected financial data at December 31, 2007, 2008, 2009, 2010, and 2011 and for the years ended December 31, 2007, 2008, 2009, 2010, and 2011, have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data at March 31, 2012, and for the three months ended March 31, 2011 and 2012, have been derived from unaudited financial data but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the financial condition and operating results for such interim periods. Interim results as of and for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. You should read this selected financial data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes included in this prospectus.

	Three Months Ended March 31,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(dollars in thousands)						
	(Unaudited)						
<b>Statement of operations data:</b>							
Investment income:							
Total interest, fee and dividend income(1)	\$ 19,587	\$ 13,322	\$ 65,045	\$ 35,645	\$ 14,514	\$ 16,123	\$ 11,312
Interest from idle funds and other(1)	972	52	1,195	863	1,488	1,172	1,163
<b>Total investment income</b>	<b>20,559</b>	<b>13,374</b>	<b>66,240</b>	<b>36,508</b>	<b>16,002</b>	<b>17,295</b>	<b>12,475</b>
Expenses:							
Interest	(3,864)	(2,902)	(13,518)	(9,058)	(3,791)	(3,778)	(3,246)
General and administrative	(608)	(507)	(2,483)	(1,437)	(1,351)	(1,684)	(512)
Expenses reimbursed to Investment Manager	(2,657)	(2,130)	(8,915)	(5,263)	(570)	(1,007)	
Share-based compensation	(581)	(443)	(2,047)	(1,489)	(1,068)	(511)	
Management fees to affiliate							(1,500)
Professional costs related to initial public offering							(695)
<b>Total expenses</b>	<b>(7,710)</b>	<b>(5,982)</b>	<b>(26,963)</b>	<b>(17,247)</b>	<b>(6,780)</b>	<b>(6,980)</b>	<b>(5,953)</b>
Net investment income	12,849	7,392	39,277	19,261	9,222	10,315	6,522
Total net realized gain (loss) from investments	8,138		2,639	(2,880)	(7,798)	1,398	4,692
Net realized income	20,987	7,392	41,916	16,381	1,424	11,713	11,214
Total net change in unrealized appreciation (depreciation) from investments	4,728	4,131	28,478	19,639	8,242	(3,961)	(5,406)
Income tax benefit (provision)	(1,876)	(1,200)	(6,288)	(941)	2,290	3,182	(3,263)
Bargain purchase gain				4,891			
Net increase in net assets resulting from operations	23,839	10,323	64,106	39,970	11,956	10,934	2,545
Noncontrolling interest	(54)		(1,139)	(1,226)			
Net increase in net assets resulting from operations attributable to common stock	\$ 23,785	\$ 10,323	\$ 62,967	\$ 38,744	\$ 11,956	\$ 10,934	\$ 2,545
Net investment income per share basic and diluted	\$ 0.48	\$ 0.38	\$ 1.69	\$ 1.16	\$ 0.92	\$ 1.13	\$ 0.76
Net realized income per share basic and diluted	\$ 0.78	\$ 0.38	\$ 1.80	\$ 0.99	\$ 0.14	\$ 1.29	\$ 1.31
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	\$ 0.89	\$ 0.54	\$ 2.76	\$ 2.38	\$ 1.19	\$ 1.20	\$ 0.30
Weighted average shares outstanding basic and diluted	26,871,084	19,217,690	22,850,299	16,292,846	10,042,639	9,095,904	8,587,701



# Edgar Filing: Main Street Capital CORP - Form 497

## Table of Contents

	As of March 31, 2012	2011	2010	As of December 31, 2009      2008      2007		
	(dollars in thousands)					
	(Unaudited)					
<b>Balance sheet data:</b>						
Assets:						
Total portfolio investments at fair value(1)	\$ 664,299	\$ 658,093	\$ 407,987	\$ 159,154	\$ 127,007	\$ 105,650
Marketable securities and idle funds investments(1)	14,345	26,242	9,577	839	4,390	24,063
Cash and cash equivalents	88,955	42,650	22,334	30,620	35,375	41,889
Deferred tax asset, net			1,958	2,716	1,121	
Interest receivable and other assets	7,899	6,539	4,524	1,510	1,101	1,576
Deferred financing costs, net of accumulated amortization	3,945	4,168	2,544	1,611	1,635	1,670
<b>Total assets</b>	<b>\$ 779,443</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
Liabilities and net assets:						
SBIC debentures at fair value	\$ 201,586	\$ 201,887	\$ 155,558	\$ 65,000	\$ 55,000	\$ 55,000
Credit facility	138,000	107,000	39,000			
Deferred tax liability, net	4,825	3,776				3,026
Interest payable	1,326	3,984	3,195	1,069	1,108	1,063
Dividend payable	3,789	2,856			726	
Accounts payable and other liabilities	4,381	7,001	1,188	721	1,439	610
<b>Total liabilities</b>	<b>353,907</b>	<b>326,504</b>	<b>198,941</b>	<b>66,790</b>	<b>58,273</b>	<b>59,699</b>
Total net asset value	425,536	405,711	245,535	129,660	112,356	115,149
Noncontrolling interest		5,477	4,448			
<b>Total liabilities and net assets</b>	<b>\$ 779,443</b>	<b>\$ 737,692</b>	<b>\$ 448,924</b>	<b>\$ 196,450</b>	<b>\$ 170,629</b>	<b>\$ 174,848</b>
<b>Other data:</b>						
Weighted average effective yield on LMM debt investments(2)	14.9%	14.8%	14.5%	14.3%	14.0%	14.3%
Number of LMM portfolio companies(3)	53	54	44	35	31	27
Weighted average effective yield on Middle Market debt investments(2)	9.2%	9.5%	10.5%	11.8%	N/A	N/A
Number of Middle Market portfolio companies	62	57	32	6	N/A	N/A
Expense ratios (as percentage of average net assets):						
Total expenses, including income tax expense(4)	2.3%(5)(6)	9.8%(5)	8.8%(5)	5.6%	6.1%	16.2%(4)
Operating expenses(4)	1.9%(5)(6)	8.0%(5)	8.3%(5)	5.6%	6.1%	10.5%(4)
Operating expenses, excluding interest expense(4)	0.9%(5)(6)	4.0%(5)	4.0%(5)	2.5%	2.8%	4.8%(4)

- (1) Certain reclassifications have been made to prior period balances to conform to the current financial statement presentation adopted for the reporting period ended March 31, 2012.
- (2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status.
- (3) Excludes the investment in affiliated Investment Manager, as discussed elsewhere in this prospectus.
- (4) The ratio for the year ended December 31, 2007 reflects the impact of professional costs related to the IPO. These costs were 25.7% of operating expenses for the year.

- (5) Ratios are net of amounts attributable to MSC II non-controlling interest.
- (6) Not annualized.

Table of Contents

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

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

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

**ORGANIZATION**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first three months of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the acquisition of these remaining MSC II equity interests, MSCC owns 100% of MSC II as of March 31, 2012. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions."

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

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

Table of Contents

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

**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide "one stop" financing alternatives within our LMM portfolio. We invest primarily in secured debt instruments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt instruments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies and our Middle Market portfolio companies had weighted average annual revenues of \$476 million as of March 31, 2012. Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties.

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

As of March 31, 2012, we had debt and equity investments in 53 LMM portfolio companies with an aggregate fair value of \$388.1 million, with a total cost basis of approximately \$322.3 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.9%. Approximately 77% of our total LMM portfolio investments at cost were in the form of debt investments and 98% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies as of March 31, 2012. At March 31, 2012, we had equity ownership in approximately 92% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of \$415.7 million with a total cost basis of approximately \$349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment and any debt investments on non-accrual status.

In addition to our LMM investment strategy, we opportunistically pursue investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct or secondary

Table of Contents

purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and have an expected duration of between three and five years.

As of March 31, 2012, we had Middle Market portfolio investments in 62 companies collectively totaling approximately \$251.0 million in fair value with a total cost basis of approximately \$249.8 million. The weighted average revenues for the 62 Middle Market portfolio company investments were approximately \$476 million. Our Middle Market debt investments are primarily in the form of debt investments and 86% of such debt investments at cost were secured by first priority liens on portfolio company assets as of March 31, 2012. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.2% as of March 31, 2012. As of December 31, 2011, we had Middle Market portfolio investments in 57 companies collectively totaling approximately \$226.5 million in fair value with a total cost basis of approximately \$228.9 million. The weighted average revenues for the 57 Middle Market portfolio company investments were approximately \$473 million. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments as of March 31, 2012 and December 31, 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding liquidation fees payable upon repayment.

As of March 31, 2012, we had Other Portfolio investments in 4 companies collectively totaling approximately \$25.1 million in both fair value and cost basis. As of December 31, 2011, we had Other Portfolio investments in 3 companies collectively totaling approximately \$14.1 million in both fair value and cost basis.

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

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

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

Table of Contents

as we grow our investment portfolio. For the quarter ended March 31, 2012, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 2.0% on an annualized basis, compared to 2.5% on an annualized basis for the quarter ended March 31, 2011 and 2.2% for the year ended December 31, 2011.

For the three months ended March 31, 2012, we paid dividends on a monthly basis totaling \$0.405 per share, or \$10.9 million. In March 2012, we declared monthly dividends for the second quarter of 2012 totaling \$0.42 per share representing a 7.7% increase compared to the monthly dividends for the second quarter of 2011 and a 3.7% increase compared to the first quarter of 2012. During 2011, we paid monthly dividends of \$1.56 per share for the entire year. Including the dividends declared for the second quarter of 2012, we will have paid approximately \$7.14 per share in cumulative dividends since our October 2007 initial public offering.

At March 31, 2012, we had \$89.0 million in cash and cash equivalents and \$14.3 million in marketable securities and idle funds investments. In the second quarter of 2012, we expanded our credit facility (the "Credit Facility") from \$235 million to \$277.5 million to provide additional liquidity in support of future investment and operational activities. The \$42.5 million increase in total commitments included commitment increases by three lenders currently participating in the Credit Facility. The Credit Facility contains an accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments.

In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and offering costs. In March 2011, we completed a follow-on public stock offering in which we sold 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share (or approximately 141% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For the three months ended March 31, 2012 and 2011, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. Portfolio investments, as used herein, refers to all of our portfolio investments in LMM companies, Middle Market portfolio investments, Other Portfolio investments and our investment in the Investment Manager but excludes all of our "Marketable securities and idle funds investments." "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations for the three months ended March 31, 2012 and 2011, cash flows for the three months ended March 31, 2012 and 2011 and financial position as of March 31, 2012 and December 31, 2011, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including certain investments previously classified as "Marketable securities and idle funds investments" that are now considered a part of the Middle Market portfolio and are now classified as "Non-Control/Non-Affiliate investments."

Table of Contents

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

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

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of March 31, 2012 and December 31, 2011, approximately 85% and 89%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including our investment in the Investment Manager). We are required to report our investments at fair value. We follow the provisions of the Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

Our portfolio strategy calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as debt securities issued by middle market companies that are generally larger in size than the LMM companies. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for LMM and Middle Market portfolio investments, including investments which may be managed by third parties. All of our portfolio investments may be subject to restrictions on resale. LMM companies and Other Portfolio companies generally have no established trading market while Middle Market securities generally have established markets that are not active. We determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. For LMM investments, we review external events, including private mergers, sales and acquisitions involving comparable

Table of Contents

companies, and include these events in the valuation process. For Other Portfolio investments we generally value such investments based on the fair value of the portfolio company as determined by independent third parties, and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Middle Market portfolio debt investments, we generally use observable inputs such as quoted prices in the valuation process. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

Our Middle Market portfolio investments primarily consist of direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies



Table of Contents

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

For valuation purposes, all of our Other Portfolio investments are non-control investments and are composed of securities for which we generally do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Similar to the LMM investment portfolio, market quotations for Other Portfolio investments are generally not readily available. We value our Other Portfolio equity investments based on the fair value of the portfolio company as determined by independent third parties and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. We value our Other Portfolio debt investments based on the income approach and generally use a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments.

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

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

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

Table of Contents

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

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

*Share-Based Compensation*

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

*Income Taxes*

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

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

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

Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Taxable income

Table of Contents

generally excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

**PORTFOLIO INVESTMENT COMPOSITION**

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

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

Summaries of the composition of our LMM investment portfolio, Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio at cost and fair value by type of investment as a percentage of the total LMM investment portfolio, the total Middle Market investment portfolio, and the total combined LMM and Middle Market investment portfolio are shown in the following table (this information excludes the Other Portfolio investments):

Cost:	March 31, 2012			December 31, 2011		
	LMM	Middle		LMM	Middle	
		Market	Total		Market	Total
First lien debt	76.0%	85.3%	80.1%	69.5%	81.8%	74.4%
Equity	18.2%	0.3%	10.4%	20.5%	0.2%	12.5%
Second lien debt	1.2%	14.4%	7.0%	5.0%	18.0%	10.1%
Equity warrants	4.6%	0.0%	2.5%	5.0%	0.0%	3.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	March 31, 2012			December 31, 2011		
	LMM	Middle		LMM	Middle	
		Market	Total		Market	Total
First lien debt	62.2%	85.4%	71.4%	57.7%	81.7%	66.2%
Equity	29.3%	0.2%	17.9%	29.0%	0.3%	18.8%
Second lien debt	1.0%	14.4%	6.2%	4.4%	18.0%	9.2%
Equity warrants	7.5%	0.0%	4.5%	8.9%	0.0%	5.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the LMM investment portfolio, Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio composition by geographic region of the United States at cost and fair value as a percentage of total LMM investment portfolio, total Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio (this

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

information excludes the Other Portfolio investments). The geographic composition is determined by the location of the corporate headquarters of the portfolio company:

Cost:	March 31, 2012			December 31, 2011		
	Middle			Middle		
	LMM	Market	Total	LMM	Market	Total
Southwest	43.4%	15.4%	31.1%	47.8%	16.4%	35.4%
West	35.2%	9.5%	24.0%	31.9%	13.7%	24.7%
Northeast	3.2%	40.0%	19.3%	3.9%	32.6%	15.2%
Midwest	9.9%	23.8%	16.0%	9.0%	21.6%	14.0%
Southeast	8.3%	11.3%	9.6%	7.4%	15.7%	10.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Fair Value:	March 31, 2012			December 31, 2011		
	Middle			Middle		
	LMM	Market	Total	LMM	Market	Total
Southwest	47.1%	15.2%	34.6%	52.1%	16.2%	39.3%
West	32.6%	9.5%	23.5%	28.9%	13.8%	23.6%
Northeast	3.5%	39.9%	17.8%	3.9%	32.4%	14.0%
Midwest	9.7%	24.1%	15.3%	8.7%	21.9%	13.4%
Southeast	7.1%	11.3%	8.8%	6.4%	15.7%	9.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Edgar Filing: Main Street Capital CORP - Form 497

### Table of Contents

Our LMM and Middle Market portfolio investments are in companies conducting business in a variety of industries. Set forth below are tables showing the composition of our LMM portfolio investments, Middle Market portfolio investments, and total combined LMM and Middle Market portfolio investments by industry at cost and fair value as of March 31, 2012 and December 31, 2011 (this information excludes the Other Portfolio investments):

Cost:	March 31, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Energy Equipment and Services	10.5%	8.2%	9.4%	9.2%	7.5%	8.5%
Health Care Providers and Services	7.0%	11.8%	9.1%	6.5%	9.1%	7.5%
Media	9.4%	6.0%	7.9%	8.7%	6.6%	7.9%
Machinery	10.6%	3.1%	7.3%	9.9%	2.1%	6.9%
Commercial Services and Supplies	11.7%	0.0%	6.6%	15.4%	0.9%	9.7%
Software	3.0%	10.3%	6.2%	2.8%	8.4%	5.0%
Specialty Retail	5.9%	5.1%	5.5%	5.3%	5.6%	5.4%
Construction and Engineering	5.8%	3.5%	5.0%	5.3%	0.0%	5.0%
Diversified Consumer Services	4.8%	0.0%	2.7%	2.7%	0.0%	1.6%
Hotels, Restaurants and Leisure	2.2%	2.8%	2.5%	2.1%	7.2%	4.1%
Food and Staples Retailing	0.0%	5.7%	2.5%	0.0%	6.2%	2.5%
Chemicals	0.0%	5.4%	2.4%	0.0%	3.8%	1.5%
Electronic Equipment, Instruments and Components	4.1%	0.0%	2.3%	4.6%	0.0%	2.8%
Construction Materials	1.3%	4.1%	2.3%	1.1%	4.4%	0.7%
Professional Services	3.8%	0.0%	2.2%	3.5%	0.0%	2.1%
Consumer Finance	3.2%	0.8%	2.2%	3.0%	0.9%	2.1%
Insurance	3.3%	0.0%	1.9%	3.1%	2.6%	2.9%
IT Services	0.0%	4.4%	1.9%	0.0%	4.1%	1.6%
Building Products	2.9%	0.0%	1.6%	2.6%	0.0%	1.6%
Food Products	0.0%	3.6%	1.6%	0.0%	3.9%	1.6%
Internet Software and Services	0.4%	3.0%	1.5%	3.0%	0.0%	1.8%
Metals and Mining	0.0%	3.5%	1.5%	0.0%	0.0%	0.0%
Paper and Forest Products	2.6%	0.0%	1.4%	2.2%	0.0%	1.3%
Health Care Equipment and Supplies	2.4%	0.0%	1.4%	2.2%	1.2%	1.8%
Transportation Infrastructure	2.2%	0.0%	1.3%	2.0%	0.0%	1.2%
Pharmaceuticals	0.0%	2.4%	1.0%	0.0%	2.6%	1.0%
Real Estate Management and Development	0.0%	2.3%	1.0%	0.0%	2.5%	1.0%
Internet and Catalog Retail	0.0%	2.1%	0.9%	0.0%	2.2%	0.9%
Biotechnology	0.0%	2.0%	0.9%	0.0%	2.2%	0.8%
Auto Components	0.0%	1.5%	0.7%	0.0%	2.9%	1.2%
Electric Utilities	0.0%	0.9%	0.4%	0.0%	2.0%	0.8%
Thriffs and Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.0%	0.8%
Other(1)	2.9%	7.5%	4.9%	4.8%	9.1%	6.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1)

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

Edgar Filing: Main Street Capital CORP - Form 497

Table of Contents

Fair Value:	March 31, 2012			December 31, 2011		
	LMM	Middle Market	Total	LMM	Middle Market	Total
Energy Equipment and Services	12.9%	8.4%	11.2%	11.2%	7.5%	9.8%
Health Care Providers and Services	8.0%	11.7%	9.5%	7.4%	9.0%	7.9%
Machinery	12.0%	3.2%	8.6%	10.7%	2.2%	7.7%
Media	7.9%	6.0%	7.2%	7.4%	6.5%	7.1%
Commercial Services and Supplies	10.3%	0.0%	6.3%	13.5%	0.9%	9.0%
Software	3.0%	10.5%	5.9%	2.8%	8.4%	4.8%
Construction and Engineering	6.7%	3.5%	5.7%	6.0%	0.0%	5.5%
Specialty Retail	4.1%	4.7%	4.3%	3.8%	5.2%	4.3%
Diversified Consumer Services	5.7%	0.0%	3.5%	3.7%	0.0%	2.4%
Hotels, Restaurants and Leisure	2.6%	2.8%	2.7%	2.5%	7.2%	4.2%
Food and Staples Retailing	0.0%	5.6%	2.2%	0.0%	6.3%	2.2%
Chemicals	0.0%	5.5%	2.1%	0.0%	3.8%	1.3%
Electronic Equipment, Instruments and Components	3.3%	0.0%	2.0%	3.7%	0.0%	2.4%
Internet Software and Services	1.3%	3.0%	2.0%	5.8%	0.0%	3.7%
Construction Materials	1.0%	4.1%	2.0%	0.8%	4.5%	0.5%
Consumer Finance	2.7%	0.8%	1.9%	2.5%	0.9%	1.9%
Trading Companies and Distributors	2.9%	0.0%	1.8%	2.6%	0.0%	1.7%
Insurance	2.8%	0.0%	1.7%	2.6%	2.6%	2.6%
IT Services	0.0%	4.1%	1.6%	0.0%	3.8%	1.4%
Professional Services	2.3%	0.0%	1.4%	2.2%	0.0%	1.4%
Paper and Forest Products	2.4%	0.0%	1.4%	2.2%	0.0%	1.4%
Food Products	0.0%	3.6%	1.4%	0.0%	4.0%	1.4%
Metals and Mining	0.0%	3.6%	1.4%	0.0%	0.0%	0.0%
Transportation Infrastructure	2.2%	0.0%	1.3%	2.0%	0.0%	1.3%
Health Care Equipment and Supplies	2.0%	0.0%	1.2%	1.9%	1.2%	1.6%
Pharmaceuticals	0.0%	2.5%	1.0%	0.0%	2.8%	1.0%
Real Estate Management and Development	0.0%	2.3%	0.9%	0.0%	2.6%	0.9%
Internet and Catalog Retail	0.0%	2.1%	0.8%	0.0%	2.2%	0.8%
Biotechnology	0.0%	1.9%	0.8%	0.0%	2.1%	0.7%
Auto Components	0.0%	1.6%	0.6%	0.0%	3.0%	1.1%
Electric Utilities	0.0%	0.9%	0.3%	0.0%	2.0%	0.7%
Thriffs and Mortgage Finance	0.0%	0.0%	0.0%	0.0%	2.1%	0.7%
Other(1)	3.9%	7.6%	5.3%	4.7%	9.2%	6.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

Table of Contents**PORTFOLIO ASSET QUALITY**

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

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

Investment Rating	March 31, 2012		December 31, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(Unaudited)			
	(dollars in thousands)			
1	\$ 133,057	34.4%	\$ 125,505	30.2%
2	93,655	24.1%	119,234	28.7%
3	143,766	37.0%	152,910	36.7%
4	17,591	4.5%	17,765	4.3%
5		0.0%	250	0.1%
Totals	\$ 388,069	100.0%	\$ 415,664	100.0%

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

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

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

Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the three months ended March 31, 2012 and March 31, 2011*

	Three Months Ended March 31,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Total investment income	\$ 20.6	\$ 13.4	\$ 7.2	54%
Total expenses	(7.7)	(6.0)	(1.7)	29%
Net investment income	12.9	7.4	5.5	74%
Net realized gain from investments	8.2		8.2	NM
Net realized income	21.1	7.4	13.7	184%
Net change in unrealized appreciation	4.7	4.1	0.6	14%
Income tax provision	(1.9)	(1.2)	(0.7)	56%
Noncontrolling interest	(0.1)		(0.1)	NM
Net increase in net assets resulting from operations attributable to common stock	\$ 23.8	\$ 10.3	\$ 13.5	130%

	Three Months Ended March 31,		Net Change	
	2012	2011	Amount	%
	(dollars in millions)			
Net investment income	\$ 12.9	\$ 7.4	\$ 5.5	74%
Share-based compensation expense	0.5	0.4	0.1	31%
Distributable net investment income(a)	13.4	7.8	5.6	71%
Net realized gain from investments	8.2		8.2	NM
Distributable net realized income(a)	\$ 21.6	\$ 7.8	\$ 13.8	175%
Distributable net investment income per share				
Basic and diluted(a)(b)	\$ 0.50	\$ 0.40	\$ 0.10	25%
Distributable net realized income per share				
Basic and diluted(a)(b)	\$ 0.80	\$ 0.40	\$ 0.40	100%

(a)

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





Table of Contents

distributable net investment income and distributable net realized income is presented in the table above.

- (b) For the three months ended March 31, 2012, per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II that remained held by third parties prior to MSCC's completion of the Final MSC II Exchange. For the three months ended March 31, 2011, per share amounts exclude the earnings attributable to the remaining noncontrolling equity interests in MSC II not owned by Main Street.

*Investment Income*

For the three months ended March 31, 2012, total investment income was \$20.6 million, a 54% increase over the \$13.4 million for the corresponding period of 2011. This comparable period increase was principally attributable to (i) a \$6.9 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities investments, (ii) a \$0.2 million increase in fee income due to the increased size of the investment portfolio and (iii) a \$0.1 million increase in dividend income from portfolio equity investments. The increase in investment income included (i) \$1.8 million of non-recurring investment income associated with repayment and financing activities associated with two LMM portfolio investments and (ii) a \$0.3 million increase in investment income associated with higher levels of accelerated prepayment activity for certain Middle Market portfolio debt investments and marketable securities investments.

*Expenses*

For the three months ended March 31, 2012, total expenses increased by approximately \$1.7 million to \$7.7 million from \$6.0 million in the corresponding period of 2011. This comparable period increase in expenses was principally attributable to (i) higher interest expense of \$1.0 million as a result of the issuance of an additional \$30 million in SBIC debentures during the first quarter of 2011 and \$10 million in SBIC debentures subsequent to March 31, 2011, and increased borrowing activity under the Credit Facility, (ii) higher share-based compensation expense of \$0.1 million related to non-cash amortization for restricted share grants, and (iii) higher compensation and other operating expenses of \$0.6 million related to the increase in investment income and portfolio investments compared to the corresponding period of 2011. The ratio of total operating expenses, excluding interest expense, as a percentage of average total assets for the three months ended March 31, 2012 was 2.0% on an annualized basis, compared to 2.5% on an annualized basis for the corresponding period of 2011 and 2.2% for the year ended December 31, 2011.

*Distributable Net Investment Income*

Distributable net investment income for the three months ended March 31, 2012 increased 71% to \$13.4 million, or \$0.50 per share, compared with \$7.8 million, or \$0.40 per share, in the corresponding period of 2011. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the first quarter of 2012 reflects (i) approximately \$0.07 per share of investment income attributable to non-recurring investment income associated with two LMM portfolio investments, (ii) approximately \$0.01 per share of investment income attributable to higher levels of accelerated prepayment activity for certain Middle Market portfolio debt investments and marketable securities investments and (iii) a greater number of average shares outstanding compared to the corresponding period in 2011 primarily due to the March 2011 and October 2011 follow-on stock offerings.

Table of Contents

*Net Investment Income*

Net investment income for the three months ended March 31, 2012 was \$12.9 million, or a 74% increase, compared to net investment income of \$7.4 million during the corresponding period of 2011. The increase in net investment income was principally attributable to the increase in total investment income partially offset by the higher interest and other operating expenses discussed above.

*Distributable Net Realized Income*

Distributable net realized income increased to \$21.6 million, or \$0.80 per share, in the first quarter of 2012 compared with distributable net realized income of \$7.8 million, or \$0.40 per share, in the corresponding period of 2011. This increase was due to (i) the higher level of total distributable net investment income in the first quarter of 2012 and (ii) the higher level of total net realized gain from investments during the first quarter of 2012 compared to the corresponding period of 2011. The \$8.2 million net realized gain from investments during the first quarter of 2012 was primarily attributable to (i) a \$9.2 million realized gain recognized on the partial exit of equity investments in one LMM portfolio company, (ii) a realized gain of \$1.7 million recognized on the full exit of equity investments in one LMM portfolio company and (iii) \$1.0 million of net realized gains related to Middle Market and marketable securities investments, partially offset by (i) a \$1.8 million realized loss on the full exit of equity investments in one LMM portfolio company and (ii) a \$2.0 million realized loss on a debt investment related to the full exit of an LMM portfolio company.

*Net Realized Income*

The higher level of net investment income in addition to the change in net realized gain from investments during the three months ended March 31, 2012 resulted in a \$13.7 million increase in net realized income compared with the corresponding period of 2011.

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

For the three months ended March 31, 2012, the \$4.7 million net change in unrealized appreciation was principally attributable to (i) unrealized appreciation on 19 LMM portfolio investments totaling \$9.6 million, partially offset by unrealized depreciation on 5 LMM portfolio investments totaling \$1.7 million, (ii) \$3.7 million of net unrealized appreciation on the Middle Market investment portfolio, (iii) accounting reversals of net unrealized appreciation related to the net realized gains recognized during the first quarter of 2012 in the amounts of \$7.0 million for portfolio investments and \$0.1 million for marketable securities and idle funds investments, (iv) \$0.3 million of net unrealized appreciation attributable to SBIC debentures held by MSC II, and (v) \$0.1 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of \$0.1 million recognized during the first quarter of 2012 reflects the pro rata portion of the net increase in net assets resulting from operations for MSCII attributable to the equity interests in MSCII that were not owned by MSCC prior to MSCC's completion of the Final MSC II Exchange. For the first quarter of 2012, we also recognized a net income tax provision of \$1.9 million principally related to deferred taxes on net unrealized appreciation of equity investments held in our taxable subsidiaries and an accrual for excise taxes on estimated spillover taxable income as of March 31, 2012.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the three months ended March 31, 2012 was \$23.8 million, or \$0.89 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$10.3 million, or \$0.54 per share, in the corresponding period of 2011.

Table of Contents*Comparison of years ended December 31, 2011 and December 31, 2010*

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

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

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

Table of Contents

distributable net investment income and distributable net realized income is presented in the table above.

*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

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

*Net Investment Income*

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

*Distributable Net Realized Income*

Distributable net realized income increased to \$44.0 million, or \$1.89 per share, for the year ended 2011 compared with distributable net realized income of \$17.8 million, or \$1.08 per share, for the corresponding period of 2010. The increase was primarily attributable to the higher level of

Table of Contents

distributable net investment income as well as the higher level of total net realized gain from investments in 2011 compared to the net realized loss from investments in the corresponding period of 2010. The \$2.6 million net realized gain during 2011 was primarily attributable to (i) realized gain recognized on one partial exit of an LMM portfolio company equity investment, (ii) realized gain recognized on one full exit of an LMM portfolio company equity investment, and (iii) realized gains related to Middle Market and marketable securities investments. The \$2.9 million net realized loss during the 2010 year was primarily attributable to \$5.9 million of realized loss from our debt and equity investments in two portfolio companies, partially offset by (i) \$2.3 million of realized gain on two partial exits and one full exit of portfolio company equity investments and (ii) \$0.7 million of realized gain related to Middle Market and marketable securities and idle funds investments.

*Net Realized Income*

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

*Net Increase in Net Assets Resulting from Operations*

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

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

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

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

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

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

Table of Contents

*Investment Income*

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

*Expenses*

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

*Distributable Net Investment Income*

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

*Net Investment Income*

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

*Distributable Net Realized Income*

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



Table of Contents

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

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

*Net Realized Income*

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

*Net Increase in Net Assets Resulting from Operations*

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

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

*Liquidity and Capital Resources*

*Cash Flows*

For the three months ended March 31, 2012, we experienced a net increase in cash and cash equivalents in the amount of \$46.3 million. During that period, we generated \$1.9 million of cash from our operating activities, primarily from (i) distributable net investment income, partially offset by (i) reimbursements to the Investment Manager to cover operating expenses under a support services agreement between MSCC and the Investment Manager, (ii) accretion of unearned income, and (iii) interest payments made on our SBIC debentures and Credit Facility. We generated \$20.9 million in net cash from investing activities, principally including (i) \$96.1 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments and (ii) \$18.8 million of cash proceeds from the sale of marketable securities and idle funds investments, partially offset by (i) the funding of \$88.4 million for new portfolio company investments and the funding of \$5.6 million for marketable securities and idle funds investments. During the first three months of 2012, \$23.5 million in cash was provided by financing activities, which principally consisted of \$31.0 million in

Table of Contents

net cash proceeds from the Credit Facility, partially offset by \$8.2 million in cash dividends paid to stockholders.

For the three months ended March 31, 2011, we experienced a net increase in cash and cash equivalents in the amount of \$6.7 million. During that period, we generated \$4.1 million of cash from our operating activities, primarily from distributable net investment income partially offset by accretion of unearned income, increases in interest receivable, and semi-annual interest payments made on our SBIC debentures. We used \$67.1 million in net cash from investing activities for the three months ended March 31, 2011, principally including the funding of \$58.3 million for new portfolio company investments and the funding of \$25.0 million for marketable securities and idle funds investments, partially offset by (i) \$13.2 million of cash proceeds from the repayment of portfolio debt investments and (ii) \$3.0 million from the sale of marketable securities and idle funds investments. For the first three months of 2011, \$69.7 million in cash was provided by financing activities, which principally consisted of (i) \$70.3 million in net cash proceeds from a public stock offering in March 2011 and (ii) \$30.0 million in cash proceeds from the issuance of SBIC debentures, partially offset by (i) \$24.0 million in net repayments under the Credit Facility, (ii) \$4.7 million in cash dividends paid to stockholders, and (iii) \$1.1 million in deferred loan costs paid in connection with the Credit Facility and the issuance of additional SBIC debentures.

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

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

For the year ended December 31, 2009, we experienced a net decrease in cash and cash equivalents in the amount of \$4.8 million. During that period, we generated \$8.0 million of cash from

Table of Contents

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

*Capital Resources*

As of March 31, 2012, we had \$89.0 million in cash and cash equivalents and \$14.3 million in marketable securities and idle funds investments, and our net asset value totaled \$425.5 million, or \$15.72 per share. In the second quarter of 2012, we expanded our credit facility (the "Credit Facility") from \$235 million to \$277.5 million. The \$42.5 million increase in total commitments included commitment increases by three lenders currently participating in the Credit Facility. The amended Credit Facility contains an accordion feature that allows for a further increase in total commitments under the facility up to \$350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. We pay unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At March 31, 2012, we had \$138.0 million in borrowings outstanding under the Credit Facility, bearing interest at an interest rate of 2.8%. As of March 31, 2012, we were in compliance with all financial covenants of the Credit Facility.

In October 2011, we completed a follow-on public stock offering in which we sold 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$17.50 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$57.5 million, after deducting underwriters' commissions and offering costs. In March 2011, we completed a follow-on public stock offering in which we sold 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$18.35 per share (or approximately 141% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$70.3 million, after deducting underwriters' commissions and offering costs.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On March 31, 2012, we, through the Funds, had \$220 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of

Table of Contents

approximately 5.1%. The first maturity related to the SBIC debentures does not occur until 2013, and the remaining weighted average duration is approximately 6.4 years as of March 31, 2012.

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

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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. A proposal, approved by our stockholders at our June 2011 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 14, 2012. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval. We are seeking such approval for the next year at our 2012 annual stockholders meeting to be held on June 14, 2012.

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

Although we have been able to secure access to additional liquidity, including recent public stock offerings, our expanded \$277.5 million Credit Facility, and the increase in available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued Accounting Standards***

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

Table of Contents

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

***Inflation***

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

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At March 31, 2012, we had a total of \$26.0 million in outstanding commitments comprised of (i) five commitments to fund revolving loans that had not been fully drawn and (ii) two capital commitments that had not been fully called.

***Contractual Obligations***

As of March 31, 2012, our future fixed commitments for cash payments in connection with our SBIC debentures for each of the next five years and thereafter are as follows:

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

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

As of March 31, 2012, we had \$138.0 million in borrowings outstanding under our \$235 million Credit Facility. Unless extended, the Credit Facility will mature in September 2014. The Credit Facility contains two, one year extension options which could extend the maturity to September 2016.

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

Table of Contents

cash operating expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the three months ended March 31, 2012 and 2011, the expenses reimbursed by MSCC to the Investment Manager and management fees paid by MSC II were \$2.7 million and \$2.1 million, respectively.

***Related Party Transactions***

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At March 31, 2012, the Investment Manager had a receivable of \$1.5 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

**SENIOR SECURITIES**

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

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