Main Street Capital CORP
Form 10-Q
May 09, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from: to

Commission File Number: 001-33723

Main Street Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland	**41-2230745**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 Post Oak Boulevard, Suite 800 **Houston, TX**	**77056**
(Address of principal executive offices)	(Zip Code)

(713) 350-6000

(Registrant s telephone number including area code)

n/a

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

The number of shares outstanding of the issuer s common stock as of May 8, 2014 was 44,546,660.

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MAIN STREET CAPITAL CORPORATION

Consolidated Balance Sheets

(in thousands, except shares and per share amounts)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: $275,694 and $277,411 as of March 31, 2014 and December 31, 2013, respectively)	$ 364,559	$ 356,973
Affiliate investments (cost: $241,145 and $242,592 as of March 31, 2014 and December 31, 2013, respectively)	265,240	268,113
Non-Control/Non-Affiliate investments (cost: $661,936 and $643,068 as of March 31, 2014 and December 31, 2013, respectively)	679,080	661,102
Total portfolio investments (cost: $1,178,775 and $1,163,071 as of March 31, 2014 and December 31, 2013, respectively)	1,308,879	1,286,188
Marketable securities and idle funds investments (cost: $11,792 and $14,885 as of March 31, 2014 and December 31, 2013, respectively)	11,258	13,301
Total investments (cost: $1,190,567 and $1,177,956 as of March 31, 2014 and December 31, 2013, respectively)	1,320,137	1,299,489
Cash and cash equivalents	24,362	34,701
Interest receivable and other assets	18,457	16,054
Receivable for securities sold	3,216	
Deferred financing costs (net of accumulated amortization of $5,102 and $4,722 as of March 31, 2014 and December 31, 2013, respectively)	10,400	9,931
Total assets	$ 1,376,572	$ 1,360,175
LIABILITIES		
Credit facility	$ 236,000	$ 237,000
SBIC debentures (par: $225,000 as of March 31, 2014 and $200,200 as of December 31, 2013, par of $75,200 is recorded at a fair value of $63,239 and $62,050 as of March 31, 2014 and December 31, 2013, respectively)	213,039	187,050
Notes payable	90,882	90,882
Payable for securities purchased	12,488	27,088
Deferred tax liability, net	6,938	5,940
Dividend payable	6,592	6,577
Accounts payable and other liabilities	4,060	10,549
Interest payable	2,166	2,556
Total liabilities	572,165	567,642
Commitments and contingencies (Note M)		
NET ASSETS		

Common stock, $0.01 par value per share (150,000,000 shares authorized; 39,945,148 and 39,852,604 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively)		399		398
Additional paid-in capital		699,377		694,981
Accumulated net investment income, net of cumulative dividends of $218,897 and $199,140 as of March 31, 2014 and December 31, 2013, respectively		23,760		22,778
Accumulated net realized gain from investments (accumulated net realized gain from investments of $18,558 before cumulative dividends of $43,449 as of March 31, 2014 and accumulated net realized gain from investments of $17,115 before cumulative dividends of $43,449 as of December 31, 2013)		(24,891)		(26,334)
Net unrealized appreciation, net of income taxes		105,762		100,710
Total net assets		804,407		792,533
Total liabilities and net assets	$	1,376,572	$	1,360,175
NET ASSET VALUE PER SHARE	$	20.14	$	19.89

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Operations

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2014	2013
INVESTMENT INCOME:		
Interest, fee and dividend income:		
Control investments	$ 9,296	$ 6,534
Affiliate investments	5,640	5,661
Non-Control/Non-Affiliate investments	15,633	13,138
Interest, fee and dividend income	30,569	25,333
Interest, fee and dividend income from marketable securities and idle funds	207	311
Total investment income	30,776	25,644
EXPENSES:		
Interest	(5,286)	(3,882)
Compensation	(2,351)	
General and administrative	(1,547)	(687)
Share-based compensation	(853)	(603)
Expenses reimbursed to Internal Investment Manager		(3,189)
Total expenses	(10,037)	(8,361)
NET INVESTMENT INCOME	20,739	17,283
NET REALIZED GAIN (LOSS):		
Non-Control/Non-Affiliate investments	1,433	(343)
Marketable securities and idle funds investments	10	(59)
Total net realized gain (loss)	1,443	(402)
NET REALIZED INCOME	22,182	16,881
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):		
Portfolio investments	6,857	10,078
Marketable securities and idle funds investments	1,049	(67)
SBIC debentures	(1,189)	(1,212)
Total net change in unrealized appreciation	6,717	8,799
INCOME TAXES:		
Federal and state income, excise, and other taxes	(667)	(671)
Deferred taxes	(998)	(1,380)
Income tax provision	(1,665)	(2,051)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK	$ 27,234	$ 23,629
NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED	$ 0.52	$ 0.50
NET REALIZED INCOME PER SHARE - BASIC AND DILUTED	$ 0.56	$ 0.49
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED	$ 0.68	$ 0.68
DIVIDENDS PAID PER SHARE:		

Regular monthly dividends	$	0.50	$	0.45
Supplemental dividends				0.35
Total dividends	$	0.50	$	0.80
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED		39,898,573		34,699,505

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Changes in Net Assets

(in thousands, except shares)

(Unaudited)

	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Gain From Investments, Net of Dividends	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value
Balances at December 31, 2012	34,589,484	$ 346	$ 544,136	$ 35,869	$ (19,155)	$ 81,780	$ 642,976
Share-based compensation			603				603
Dividend reinvestment	164,760	2	5,320				5,322
Issuance of restricted stock	1,100						
Issuances of common stock	18,125		578				578
Dividends to stockholders				(27,715)	(183)		(27,898)
Net increase resulting from operations				17,283	(402)	6,748	23,629
Balances at March 31, 2013	34,773,469	$ 348	$ 550,637	$ 25,437	$ (19,740)	$ 88,528	$ 645,210
Balances at December 31, 2013	39,852,604	$ 398	$ 694,981	$ 22,778	$ (26,334)	$ 100,710	$ 792,533
Share-based compensation			853				853
Purchase of vested stock for employee payroll tax withholding	(1,181)		(40)				(40)
Dividend reinvestment	93,328	1	3,225				3,226
Amortization of directors deferred compensation			68				68
Issuance of restricted stock	397						
Tax benefit related to vesting of restricted shares			290				290
Dividends to stockholders				(19,757)			(19,757)
Net increase resulting from operations				20,739	1,443	5,052	27,234
Balances at March 31, 2014	39,945,148	$ 399	$ 699,377	$ 23,760	$ (24,891)	$ 105,762	$ 804,407

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net increase in net assets resulting from operations	$	27,234	$	23,629
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:				
Investments in portfolio companies		(146,896)		(125,982)
Proceeds from sales and repayments of investments in portfolio companies		119,462		81,371
Investments in marketable securities and idle funds investments		(2,105)		(16,701)
Proceeds from sales and repayments of marketable securities and idle funds investments		5,207		28,819
Net change in unrealized appreciation		(6,717)		(8,799)
Net realized (gain) loss		(1,443)		402
Accretion of unearned income		(2,611)		(2,530)
Payment-in-kind interest		(1,655)		(1,326)
Cumulative dividends		(369)		(180)
Share-based compensation expense		853		603
Amortization of deferred financing costs		380		227
Deferred taxes		998		1,380
Changes in other assets and liabilities:				
Interest receivable and other assets		(2,557)		2,666
Interest payable		(390)		(2,434)
Payable to affiliated Internal Investment Manager				(3,960)
Accounts payable and other liabilities		(6,258)		(2,105)
Deferred fees and other		133		620
Net cash used in operating activities		(16,734)		(24,300)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to stockholders		(16,516)		(22,374)
Proceeds from issuance of SBIC debentures		24,800		
Proceeds from credit facility		46,000		77,000
Repayments on credit facility		(47,000)		(68,000)
Payment of deferred loan costs and SBIC debenture fees		(849)		
Other		(40)		378
Net cash provided by financing activities		6,395		(12,996)
Net increase (decrease) in cash and cash equivalents		(10,339)		(37,296)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		34,701		63,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	24,362	$	26,221
Supplemental cash flow disclosures:				
Interest paid	$	5,296	$	6,089
Taxes paid	$	2,657	$	2,059
Non-cash financing activities:				
Shares issued pursuant to the DRIP	$	3,226	$	5,322

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2014

(in thousands)

(Unaudited)

[redacted]					
Control Investments (5)					
[redacted]					
Bond-Coat, Inc.	Casing and Tubing Coating Services				
		12% Secured Debt (Maturity - December 28, 2017)	14,750	14,589	14,750
		Common Stock (Fully diluted 42.9%)		6,220	9,250
				20,809	24,000
[redacted]					
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management				
		12% Secured Debt (Maturity - October 17, 2015)	8,103	7,988	8,103
		Warrants (Fully diluted 21.5%)		1,193	3,380
		Common Stock (Fully diluted 9.6%)		1,176	1,560
				10,357	13,043
[redacted]					
Ceres Management, LLC (Lambs Tire & Automotive)	Aftermarket Automotive Services Chain				
		14% Secured Debt (Maturity - May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative) (8)		3,695	3,695
		Member Units (Fully diluted 65.0%)		5,273	1,190
		9.5% Secured Debt (Lamb s Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,004	1,004	1,004

		Member Units (Lamb s Real Estate Investment I, LLC) (Fully diluted 100.0%) (8)		625	1,060
				14,597	10,949

[redacted]

Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products				
		9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity - June 30, 2017)	744	744	744
		Member Units (Fully diluted 32.1%) (8)		2,980	13,220
				3,724	13,964

[redacted]

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[redacted]

Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing				
		Member Units (Fully diluted 47.6%) (8)		589	220
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215	2,050
				1,804	2,270
[redacted]					
IDX Broker, LLC	Provider of Marketing and CRM Tools for Real Estate				
		12.5% Secured Debt (Maturity - November 18, 2018)	10,571	10,471	10,471
		Member Units (Fully diluted 63.9%)		5,029	5,029
				15,500	15,500
[redacted]					
Indianapolis Aviation Partners, LLC	Fixed Base Operator				
		15% Secured Debt (Maturity - September 15, 2014)	3,400	3,356	3,400
		Warrants (Fully diluted 30.1%)		1,129	2,270
				4,485	5,670
[redacted]					
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services				
		8% Secured Debt (Maturity - August 22, 2014)	1,622	1,622	1,622
		Preferred Stock (non-voting)		451	451
		Warrants (Fully diluted 7.1%)		54	40
		Common Stock (Fully diluted 70.0%) (8)		100	360
				2,227	2,473
[redacted]					

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[redacted]					
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger-Jointed Lumber Products				
		10% Secured Debt (Maturity - December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity - December 18, 2017)	3,900	3,900	3,900
		9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)	960	961	961
		Member Units (Fully diluted 55.1%) (8)		1,244	9,310
		Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (8)		250	440
				8,105	16,361
[redacted]					
NAPCO Precast, LLC	Precast Concrete Manufacturing				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 1, 2015) (9)	2,750	2,710	2,750
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2016) (9)	1,438	1,425	1,438
		18% Secured Debt (Maturity - February 1, 2016)	4,468	4,423	4,468
		Member Units (Fully diluted 44.0%) (8)		2,975	6,090
				11,533	14,746
[redacted]					
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies				
		12% Secured Debt (Maturity - December 22, 2016)	12,100	11,431	12,100
		Warrants (Fully diluted 12.2%)		817	1,500
		Member Units (Fully diluted 43.2%) (8)		2,900	5,080
				15,148	18,680
[redacted]					
Pegasus Research Group, LLC (Televerde)	Provider of Telemarketing and Data Services				
		15% Secured Debt (Maturity - January 6, 2016)	4,591	4,564	4,591
				1,250	4,860

		Member Units (Fully diluted 43.7%) (8)		5,814	9,451

[redacted]

Principle Environmental, LLC	Noise Abatement Service Provider				
		12% Secured Debt (Maturity - February 1, 2016)	3,506	3,114	3,506
		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	4,697	4,646	4,678
		Warrants (Fully diluted 14.6%)		1,200	1,810
		Member Units (Fully diluted 22.6%) (8)		1,863	4,560
				10,823	14,554

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[redacted]					
River Aggregates, LLC	Processor of Construction Aggregates				
		12% Secured Debt (Maturity - June 30, 2018)	500	500	500
		Zero Coupon Secured Debt (Maturity - June 30, 2018)	750	430	430
		Member Units (Fully diluted 38.3%)		1,150	
		Member Units (RA Properties, LLC) (Fully diluted 50.0%)		369	369
				2,449	1,299
[redacted]					
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories				
		4.5% Current / 4.5% PIK Secured Debt (Maturity - July 1, 2014)	1,079	1,079	880
		6% Current / 6% PIK Secured Debt (Maturity - July 1, 2014)	5,845	5,845	4,806
		Warrants (Fully diluted 52.3%)		1,096	
				8,020	5,686
[redacted]					
Uvalco Supply, LLC	Farm and Ranch Supply Store				
		9% Secured Debt (Maturity - January 1, 2019)	2,106	2,106	2,106
		Member Units (Fully diluted 42.8%) (8)		1,113	3,780
				3,219	5,886
[redacted]					

Ziegler s NYPD, LLC	Casual Restaurant Group				
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2018) (9)	1,000	1,000	1,000
		9% Current / 9% PIK Secured Debt (Maturity - October 1, 2018)	5,449	5,449	4,820
		Warrants (Fully diluted 46.6%)		600	
				7,049	5,820

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2014

(in thousands)

(Unaudited)

Affiliate Investments (6)					
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions Provider				
		13% Secured Debt (Maturity - April 17, 2017)	5,000	4,811	4,811
		Warrants (Fully diluted 7.5%)		200	630
				5,011	5,441
Condit Exhibits, LLC	Tradeshow Exhibits / Custom Displays Provider				
		Warrants (Fully diluted 15.0%) (8)		100	610
Daseke, Inc.	Specialty Transportation Provider				
		12% Current / 2.5% PIK Secured Debt (Maturity - July 31, 2018)	20,332	19,968	19,968
		Common Stock (Fully diluted 12.6%)		4,642	11,690
				24,610	31,658

East Teak Fine Hardwoods, Inc.	Distributor of Hardwood Products				
		Common Stock (Fully diluted 5.0%)		480	810
[redacted]					
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets				
		6% Current / 11% PIK Secured Debt (Maturity - November 21, 2016)	12,690	12,300	11,075
		Warrants (Fully diluted 22.5%)		400	
				12,700	11,075

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[redacted]					
Glowpoint, Inc.	Provider of Cloud Managed Video Collaboration Services				
		8% Secured Debt (Maturity - October 18, 2018)	251	246	246
		12% Secured Debt (Maturity - October 18, 2018)	9,000	8,896	8,896
		Common Stock (Fully diluted 21.8%) (GP Investment Holdings, LLC)		3,958	12,955
				13,100	22,097
[redacted]					
Indianhead Pipeline Services, LLC	Provider of Pipeline Support Services				
		12% Secured Debt (Maturity - February 6, 2017)	7,575	7,202	7,575
		Preferred Equity (8% cumulative) (8)		1,871	1,871
		Warrants (Fully diluted 10.6%)		459	
		Member Units (Fully diluted 12.1%) (8)		1	
				9,533	9,446
[redacted]					
irth Solutions, LLC	Provider of Damage Prevention Information Technology Services				
		Member Units (Fully diluted 12.8%) (8)		624	3,570
[redacted]					
OnAsset Intelligence, Inc.	Provider of Transportation Monitoring / Tracking Products and Services				
		12% PIK Secured Debt (Maturity - June 30, 2014)	2,878	2,483	2,483
		Preferred Stock (7% cumulative) (Fully diluted 3.3%) (8)		1,847	2,635
		Warrants (Fully diluted 16.6%)		1,919	502
				6,249	5,620
[redacted]					

[redacted]

PCI Holding Company, Inc.	Manufacturer of Industrial Gas Generating Systems				
		12% Current / 4% PIK Secured Debt (Maturity - December 18, 2017)	4,241	4,176	4,241
		Preferred Stock (20% cumulative) (Fully diluted 19.4%) (8)		1,941	3,405
				6,117	7,646

[redacted]

Radial Drilling Services Inc.	Oil and Gas Technology Provider				
		12% Secured Debt (Maturity - November 22, 2016)	4,200	3,665	3,665
		Warrants (Fully diluted 24.0%)		758	
				4,423	3,665

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[redacted]					
Samba Holdings, Inc.	Provider of Intelligent Driver Record Monitoring Software and Services				
		12.5% Secured Debt (Maturity - November 17, 2016)	11,418	11,299	11,418
		Common Stock (Fully diluted 19.4%)		1,707	4,510
				13,006	15,928
[redacted]					
SYNEO, LLC	Manufacturer of Automation Machines, Specialty Cutting Tools and Punches				
		12% Secured Debt (Maturity - July 13, 2016)	3,600	3,552	3,552
		10% Secured Debt (Leadrock Properties, LLC) (Maturity - May 4, 2026)	1,440	1,414	1,414
		Member Units (Fully diluted 10.8%)		1,036	740
				6,002	5,706
[redacted]					
Tin Roof Acquisition Company	Casual Restaurant Group				
		12% Secured Debt (Maturity - November 30, 2018)	11,000	10,793	10,793
		Class C Preferred Member Units (10% cumulative) (Fully diluted 10.0%) (8)		2,078	2,078
				12,871	12,871
[redacted]					

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2014

(in thousands)

(Unaudited)

[redacted]					
Non-Control/Non-Affiliate Investments (7)					
[redacted]					
Allflex Holdings III Inc. (11)	Manufacturer of Livestock Identification Products				
		LIBOR Plus 7.00%, Current Coupon 8.00%, Secured Debt (Maturity - July 19, 2021) (9)	5,000	4,953	5,081
[redacted]					
AM General LLC (11)	Specialty Vehicle Manufacturer				
		LIBOR Plus 9.00%, Current Coupon 10.25%, Secured Debt (Maturity - March 22, 2018) (9)	2,775	2,705	2,481
[redacted]					
American Beacon Advisors Inc. (11)	Provider of Sub-Advised Investment Products				
		LIBOR Plus 3.75%, Current Coupon 4.75%, Secured Debt (Maturity - November 22, 2019) (9)	6,500	6,438	6,565
[redacted]					

[redacted]					
AMF Bowling Centers, Inc. (11)	Bowling Alley Operator				
		LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - June 29, 2018) (9)	4,906	4,773	5,011
[redacted]					
Ancile Solutions, Inc. (11)	Provider of eLearning Solutions				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - July 15, 2018) (9)	9,506	9,453	9,578
[redacted]					

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[redacted]					
AP Gaming I, LLC (10)	Developer, Manufacturer, and Operator of Gaming Machines				
		LIBOR Plus 8.25%, Current Coupon 9.25%, Secured Debt (Maturity - December 20, 2020) (9)	6,983	6,778	6,973
[redacted]					
Artel, LLC (11)	Land-Based and Commercial Satellite Provider				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)	5,820	5,751	5,733
[redacted]					
Atkins Nutritionals Holdings II, Inc. (11)	Weight Management Food Products				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - January 2, 2019) (9)	1,985	1,985	2,010
[redacted]					
B. J. Alan Company	Retailer and Distributor of Consumer Fireworks				
		12.75% Current / 2.75% PIK Secured Debt (Maturity - June 22, 2017)	10,487	10,420	10,420
[redacted]					
Beers Enterprises, Inc. (10)	Provider of Broadcast Video Transport Services				
		Prime Plus 6.50%, Current Coupon 9.75%, Secured Debt (Maturity - March 19, 2019) (9)	4,421	4,360	4,360
[redacted]					

[redacted]

Bluestem Brands, Inc. (11)	Multi-Channel Retailer of General Merchandise				
		LIBOR Plus 6.50%, Current Coupon 7.50%, Secured Debt (Maturity - December 6, 2018) (9)	3,556	3,488	3,596

[redacted]

California Pizza Kitchen, Inc. (11)	Casual Dining Restaurant Chain				
		LIBOR Plus 4.25%, Current Coupon 5.25%, Secured Debt (Maturity - July 7, 2017) (9)	6,500	6,298	6,305

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[redacted]

Calloway Laboratories, Inc. (10)	Health Care Testing Facilities				
		12.00% PIK Secured Debt (Maturity - September 30, 2014)	6,580	6,531	3,471
		Warrants (Fully diluted 1.5%)		17	
				6,548	3,471
[redacted]					
Charlotte Russe, Inc (11)	Fast-Fashion Retailer to Young Women				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 22, 2019) (9)	4,975	4,931	4,931
[redacted]					
Consolidated Aerospace Manufacturing LLC (11)	Aerospace Components Manufacturer				
		LIBOR Plus 4.00%, Current Coupon 5.00%, Secured Debt (Maturity - February 28, 2020) (9)	1,500	1,493	1,493
[redacted]					
CGSC of Delaware Holdings Corp. (11) (13)	Insurance Brokerage Firm				
		LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - October 16, 2020) (9)	2,000	1,973	1,955
[redacted]					
Drilling Info, Inc.	Information Services for the Oil and Gas Industry				
		Common Stock (Fully diluted 2.1%)		1,335	9,920
[redacted]					

EnCap Energy Fund Investments (12) (13)	Investment Partnerships			
		LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)	3,171	3,388
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.3%)	1,371	1,607
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)	775	775
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)	3,123	3,281
			8,440	9,051

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[redacted]

Excelitas Technologies Corp. (11)	Lighting and Sensor Components				
		LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity - November 2, 2020) (9)	3,938	3,900	3,962

[redacted]

FC Operating, LLC (10)	Christian Specialty Retail Stores				
		LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity - November 14, 2017) (9)	5,400	5,316	5,001

[redacted]

Fram Group Holdings, Inc. (11)	Manufacturer of Automotive Maintenance Products				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 31, 2017) (9)	963	960	966
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (9)	1,000	997	945
				1,957	1,911

[redacted]

Grupo Hima San Pablo, Inc. (11)	Tertiary Care Hospitals				
		LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - January 31, 2018) (9)	4,950	4,869	4,703
		13.75% Secured Debt (Maturity - July 31, 2018)	2,000	1,914	1,900
				6,783	6,603

[redacted]

iEnergizer Limited (11) (13)	Provider of Business Outsourcing Solutions				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - May 1, 2019) (9)	9,150	9,013	9,013

[redacted]

[redacted]

Ipreo Holdings LLC (11)	Application Software for Capital Markets				
		LIBOR Plus 4.00%, Current Coupon 5.00%, Secured Debt (Maturity - August 7, 2017) (9)	2,622	2,622	2,649

[redacted]

Joerns Healthcare, LLC (11)	Health Care Equipment & Supplies				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - March 28, 2018) (9)	6,314	6,262	6,188

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[redacted]					
Keypoint Government Solutions, Inc. (11)	Pre-Employment Screening Services				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2017) (9)	4,421	4,354	4,377
[redacted]					
Lansing Trade Group LLC (11)	Commodity Merchandiser				
		9.25% Unsecured Debt (Maturity - February 15, 2019)	6,000	6,000	6,000
[redacted]					
LJ Host Merger Sub, Inc. (11)	Managed Services and Hosting Provider				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - December 23, 2019) (9)	9,938	9,844	9,888
		LIBOR Plus 8.75%, Current Coupon 10.00%, Secured Debt (Maturity - December 23, 2020) (9)	5,000	4,905	4,975
				14,749	14,863
[redacted]					
LKCM Headwater Investments I, L.P. (12) (13)	Investment Partnership				
		LP Interests (Fully diluted 2.27%) (8)		1,500	3,315
[redacted]					
MediMedia USA, Inc. (11)	Provider of Healthcare Media and Marketing				
		LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - November 20, 2018) (9)	5,459	5,318	5,322
[redacted]					
Metal Services LLC (11)	Steel Mill Services				
			5,300	5,300	5,344

		LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity - June 30, 2017) (9)		
[redacted]				
Miramax Film NY, LLC (11)	Motion Picture Producer and Distributor			
		Class B Units (Fully diluted 0.2%)	500	721
[redacted]				

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MP Assets Corporation (11)	Manufacturer of Battery Components	LIBOR Plus 4.50%, Current Coupon 5.50%, Secured Debt (Maturity - December 19, 2019) (9)	4,554	4,510	4,554
NGPL PipeCo, LLC (11)	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	9,805	9,669	9,592
North Atlantic Trading Company, Inc. (11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - January 13, 2020) (9)	7,981	7,903	8,060
Ospemifene Royalty Sub LLC (QuatRx) (10)	Estrogen-Deficiency Drug Manufacturer and Distributor	11.50% Secured Debt (Maturity - November 15, 2026)	5,205	5,205	5,205
Permian Holdings, Inc. (11)	Storage Tank Manufacturer	10.50% Secured Bond (Maturity - January 15, 2018)	3,150	3,118	3,205
Philadelphia Energy Solutions Refining and Marketing LLC (11)	Oil & Gas Refiner	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 4, 2018) (9)	2,978	2,941	2,650

[redacted]

Polyconcept Financial B.V. (11)	Promotional Products to Corporations and Consumers				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - June 28, 2019) (9)	3,404	3,373	3,404

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[redacted]

Primesight Limited (10) (13)	Outdoor Advertising Operator				
		10.00% Secured Debt (Maturity - October 22, 2016)	9,182	9,090	9,189
[redacted]					
PT Network, LLC (10)	Provider of Outpatient Physical Therapy and Sports Medicine Services				
		LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - November 1, 2018) (9)	8,788	8,695	8,695
[redacted]					
Ravago Holdings America, Inc. (11)	Polymers Distributor				
		LIBOR Plus 4.50%, Current Coupon 5.50%, Secured Debt (Maturity - December 20, 2020) (9)	6,250	6,189	6,316
[redacted]					
Rentpath, Inc. (11)	Online Apartment Aggregator				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - May 29, 2020) (9)	6,874	6,707	6,754
[redacted]					
Sabre Industries, Inc. (11)	Manufacturer of Telecom Structures and Equipment				
		LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity - August 24, 2018) (9)	2,956	2,931	2,967
[redacted]					

[redacted]

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[redacted]					
SCE Partners, LLC (10)	Hotel & Casino Operator				
		LIBOR Plus 7.25%, Current Coupon 8.25%, Secured Debt (Maturity - August 14, 2019) (9)	7,500	7,431	6,863
[redacted]					
Sutherland Global Services, Inc. (11)	Business Process Outsourcing Provider				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - March 6, 2019) (9)	6,650	6,538	6,700
[redacted]					
Targus Group International (11)	Protective Cases for Mobile Devices				
		LIBOR Plus 9.50%, Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity - May 24, 2016) (9)	4,380	4,397	3,680
[redacted]					
TeleGuam Holdings, LLC (11)	Cable and Telecom Services Provider				
		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 10, 2018) (9)	8,869	8,839	8,846
		LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - June 10, 2019) (9)	2,500	2,478	2,513
				11,317	11,359
[redacted]					
Tervita Corporation (11) (13)	Oil and Gas Environmental Services				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - May 15, 2018) (9)	5,460	5,416	5,424

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The Tennis Channel, Inc. (10)	Television-Based Sports Broadcasting				
		Warrants (Fully diluted 0.1%)		235	301
ThermaSys Corporation (11)	Manufacturer of Industrial Heat Exchanges				
		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - May 3, 2019) (9)	6,315	6,259	6,315
Totes Isotoner Corporation (11)	Weather Accessory Retail				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,257	4,213	4,282
UniTek Global Services, Inc. (11)	Provider of Outsourced Infrastructure Services				
		LIBOR Plus 9.50%, Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity - April 15, 2018) (9)	10,110	9,452	10,212
		Warrants (Fully diluted 1.4%)		449	481
				9,901	10,693
US Xpress Enterprises, Inc. (11)	Truckload Carrier				
		LIBOR Plus 7.88%, Current Coupon 9.38%, Secured Debt (Maturity - November 13, 2016) (9)	6,001	5,916	5,971

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[redacted]					
Virtex Enterprises, LP (10)	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services				
		12.00% Secured Debt (Maturity - December 27, 2018)	1,667	1,455	1,455
		Preferred Class A Units (5% cumulative) (Fully diluted 1.4%) (8)		331	331
		Warrants (Fully diluted 1.1%)		186	22
				1,972	1,808
[redacted]					
Vision Solutions, Inc. (11)	Provider of Information Availability Software				
		LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9)	2,147	2,052	2,169
		LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (9)	5,000	4,971	5,050
				7,023	7,219
[redacted]					
Western Dental Services, Inc. (11)	Dental Care Services				
		LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity - November 1, 2018) (9)	5,486	5,481	5,473
[redacted]					
Wireco Worldgroup Inc. (11)	Manufacturer of Synthetic Lifting Products				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - February 15, 2017) (9)	2,463	2,446	2,481
[redacted]					

Zilliant Incorporated	Price Optimization and Margin Management Solutions				
		12% Secured Debt (Maturity - June 15, 2017)	8,000	7,107	7,107
		Warrants (Fully diluted 2.7%)		1,071	1,071
				8,178	8,178
Total Portfolio Investments, March 31, 2014				1,178,775	1,308,879

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2014

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Marketable Securities and Idle Funds Investments					
	Investments in Marketable Securities and Diversified, Registered Bond Funds				
Other Marketable Securities and Idle Funds Investments (13)				11,792	11,258
Subtotal Marketable Securities and Idle Funds Investments (0.9% of total investments at fair value)				11,792	11,258
Total Investments, March 31, 2014				$ 1,190,567	$ 1,320,137

(1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.

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

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

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

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

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

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

(8) Income producing through dividends or distributions.

(9) Index based floating interest rate is subject to contractual minimum interest rate.

(10) Private Loans portfolio investment. See Note B for summary of Private Loan.

(11) Middle Market portfolio investment. See Note B for summary of Middle Market.

(12) Other Portfolio investment. See Note B for summary of Other Portfolio.

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

(14) Non-accrual and non-income producing investment.

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(in thousands)

[redacted]					
Control Investments (5)					
ASC Interests, LLC	Recreational and Educational Shooting Facility				
		11% Secured Debt (Maturity - July 31, 2018)	3,500	3,434	3,434
		Member Units (Fully diluted 48.4%)		1,500	1,500
				4,934	4,934
Bond-Coat, Inc.	Casing and Tubing Coating Services				
		12% Secured Debt (Maturity - December 28, 2017)	14,750	14,581	14,750
		Common Stock (Fully diluted 42.9%)		6,220	8,850
				20,801	23,600
Café Brazil, LLC	Casual Restaurant Group				
		Member Units (Fully diluted 69.0%) (8)		1,742	6,770
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management				
		12% Secured Debt (Maturity - October 17, 2015)	8,103	7,973	8,103
		Warrants (Fully diluted 21.3%)		1,193	3,380
		Common Stock (Fully diluted 9.8%)		1,177	1,560
				10,343	13,043
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos				
		Member Units (Fully diluted 41.6%) (8)		1,300	16,700
Ceres Management, LLC (Lambs)	Aftermarket Automotive Services Chain				
		14% Secured Debt (Maturity - May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative) (8)		3,586	3,586
		Member Units (Fully diluted 65.0%)		5,273	1,190
		9.5% Secured Debt (Lamb s Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,017	1,017	1,017
		Member Units (Lamb s Real Estate Investment I, LLC) (Fully diluted		625	1,060

		100.0%) (8)		14,501	10,853
Garreco, LLC	Manufacturer and Supplier of Dental Products				
		14% Secured Debt (Maturity - January 12, 2018)	5,800	5,693	5,693
		Member Units (Fully diluted 32.0%)		1,200	1,200
				6,893	6,893
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products				
		9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity - June 30, 2017)	919	919	919
		Member Units (Fully diluted 34.2%) (8)		2,980	13,220
				3,899	14,139
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators				
		12% Secured Debt (Maturity - June 4, 2015)	4,896	4,659	4,896
		Preferred Stock (8% cumulative) (8)		1,167	1,167
		Common Stock (Fully diluted 34.4%)		718	1,340
				6,544	7,403
Hawthorne Customs and Dispatch	Facilitator of Import Logistics, Brokerage, and Warehousing				
		Member Units (Fully diluted 47.6%) (8)		589	440
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215	2,050
				1,804	2,490

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[redacted]					
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems				
		Common Stock (Fully diluted 95.9%) (8)		7,095	13,720
[redacted]					
Impact Telecom, Inc.	Telecommunications Services				
		LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - May 31, 2018) (9)	1,575	1,568	1,568
		13% Secured Debt (Maturity - May 31, 2018)	22,500	14,690	14,690
		Warrants (Fully diluted 40.0%)		8,000	8,760
				24,258	25,018
[redacted]					
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store				
		Prime Plus 6.75%, Current Coupon 10.00%, Secured Debt (Maturity - November 14, 2016) (9)	4,255	4,193	4,255
		Member Units (Fully diluted 60.8%) (8)		811	3,310
				5,004	7,565
[redacted]					
Marine Shelters Holdings, LLC	Fabricator of Marine and Industrial Shelters				
		12% Secured Debt (Maturity - December 28, 2017)	10,250	10,076	10,076
		Preferred Stock (Fully diluted 26.7%)		3,750	3,750
				13,826	13,826
[redacted]					

[redacted]

MSC Adviser I, LLC	Investment Partnership				
		Member Units (Fully diluted 100.0%)			1,064

[redacted]

NRI Clinical Research, LLC	Clinical Research Center				
		14% Secured Debt (Maturity - September 8, 2016)	4,394	4,226	4,226
		Warrants (Fully diluted 12.5%)		252	440
		Member Units (Fully diluted 24.8%)		500	870
				4,978	5,536

[redacted]

OMi Holdings, Inc.	Manufacturer of Overhead Cranes				
		Common Stock (Fully diluted 48.0%) (8)		1,080	13,420

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[redacted]

Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services				
		15% Secured Debt (Maturity - January 6, 2016)	4,791	4,760	4,791
		Member Units (Fully diluted 43.7%) (8)		1,250	4,860
				6,010	9,651
[redacted]					
Principle Environmental, LLC	Noise Abatement Services				
		12% Secured Debt (Maturity - February 1, 2016)	3,506	3,070	3,506
		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	4,674	4,617	4,656
		Warrants (Fully diluted 14.6%)		1,200	2,620
		Member Units (Fully diluted 22.6%) (8)		1,863	4,180
				10,750	14,962
[redacted]					
Southern RV, LLC	Recreational Vehicle Dealer				
		13% Secured Debt (Maturity - August 8, 2018)	11,400	11,239	11,239
		Member Units (Fully diluted 50.2%)		1,680	1,680
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity - August 8, 2018)	3,250	3,204	3,204
		Member Units (Southern RV Real Estate, LLC) (Fully diluted 55.69%)		480	480
				16,603	16,603
[redacted]					

[redacted]

Travis Acquisition LLC	Manufacturer of Aluminum Trailers				
		12% Secured Debt (Maturity - August 30, 2018)	9,200	9,025	9,025
		Member Units (Fully diluted 65.5%)		7,100	7,100
				16,125	16,125

[redacted]

Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage				
		13% Secured Debt (Maturity - December 23, 2016)	3,204	3,158	3,158
		Series A Preferred Stock (Fully diluted 50.9%)		3,000	1,510
		Common Stock (Fully diluted 19.1%)		3,706	
				9,864	4,668

[redacted]

Subtotal Control Investments (27.5% of total investments at fair value)				277,411	356,973

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(in thousands)

Affiliate Investments (6)					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors				
		Warrants (Fully diluted 19.6%)		50	10,100
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions				
		13% Secured Debt (Maturity - April 17, 2017)	5,000	4,799	4,799
		Warrants (Fully diluted 7.5%)		200	530
				4,999	5,329
Buffalo Composite Materials Holdings, LLC	Manufacturer of Fiberglass Products				
		Member Units (Fully diluted 23.1%)		2,035	2,035
Condit Exhibits, LLC	Tradeshow Exhibits / Custom Displays				
		12% Secured Debt (Maturity - July 31, 2018)	3,750	3,750	3,750
		Warrants (Fully diluted 15.0%) (8)		100	540
				3,850	4,290
Congruent Credit Opportunities Funds (12) (13)	Investment Partnership				
		LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%) (8)		22,060	22,692
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)		4,128	4,128
				26,188	26,820
Daseke, Inc.	Specialty Transportation Provider				
		12% Current / 2.5% PIK Secured Debt (Maturity - July 31, 2018)	20,206	19,828	19,828
		Common Stock (Fully diluted 12.6%)		4,642	11,689
				24,470	31,517
Dos Rios Partners (12) (13)	Investment Partnership				
		LP Interests (Dos Rios Partners, LP) (Fully diluted 27.69%)		1,269	1,269
		LP Interests (Dos Rios Partners - A, LP) (Fully diluted 9.14%)		403	403
				1,672	1,672
East Teak Fine Hardwoods, Inc.	Hardwood Products				

		Common Stock (Fully diluted 5.0%)		480	450

[redacted]

Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets				
		14% Secured Debt (Maturity - November 21, 2016)	12,165	11,747	10,550
		Warrants (Fully diluted 22.5%)		400	
				12,147	10,550

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[redacted]					
Glowpoint, Inc.	Cloud Managed Video Collaboration Services				
		8% Secured Debt (Maturity - October 18, 2018)	300	294	294
		12% Secured Debt (Maturity - October 18, 2018)	9,000	8,892	8,892
		Common Stock (Fully diluted 21.8%) (GP Investment Holdings, LLC)		3,800	10,235
				12,986	19,421
[redacted]					
Indianhead Pipeline Services, LLC	Pipeline Support Services				
		12% Secured Debt (Maturity - February 6, 2017)	7,800	7,394	7,800
		Preferred Equity (8% cumulative) (8)		1,832	1,832
		Warrants (Fully diluted 10.6%)		459	470
		Member Units (Fully diluted 12.1%) (8)		1	530
				9,686	10,632
[redacted]					
irth Solutions, LLC	Damage Prevention Technology Information Services				
		Member Units (Fully diluted 12.8%) (8)		624	3,300
[redacted]					
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services				
		12% PIK Secured Debt (Maturity - June 30, 2014)	2,330	1,788	1,788
		Preferred Stock (7% cumulative) (Fully diluted 3.6%) (8)		1,815	2,602
		Warrants (Fully diluted 14.2%)		1,787	370
				5,390	4,760
[redacted]					

[redacted]

PCI Holding Company, Inc.	Manufacturer of Industrial Gas Generating Systems				
		12% Current / 4% PIK Secured Debt (Maturity - December 18, 2017)	4,449	4,376	4,449
		Preferred Stock (20% cumulative) (Fully diluted 19.4%) (8)		1,847	3,311
				6,223	7,760

[redacted]

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[redacted]

Radial Drilling Services Inc.	Oil and Gas Technology				
		12% Secured Debt (Maturity - November 22, 2016)	4,200	3,626	3,626
		Warrants (Fully diluted 24.0%)		758	
				4,384	3,626
[redacted]					
Spectrio LLC	Audio Messaging Services				
		LIBOR Plus 7.50%, Current Coupon 8.50%, Secured Debt (Maturity - November 19, 2018)	17,878	17,504	17,878
		Warrants (Fully diluted 9.8%)		887	3,850
				18,391	21,728
[redacted]					
Texas Reexcavation LC	Hydro Excavation Services				
		12% Current / 3% PIK Secured Debt (Maturity - December 31, 2017)	6,185	6,082	6,082
		Class A Member Units (Fully diluted 16.3%)		2,900	3,270
				8,982	9,352
[redacted]					
Subtotal Affiliate Investments (20.6% of total investments at fair value)				242,592	268,113

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(in thousands)

Non-Control/Non-Affiliate Investments (7)					
ABG Intermediate Holdings 2, LLC (11)	Trademark Licensing of Clothing				
		LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity - June 28, 2019) (9)	7,500	7,463	7,463
Allflex Holdings III Inc. (11)	Manufacturer of Livestock Identification Products				
		LIBOR Plus 7.00%, Current Coupon 8.00%, Secured Debt (Maturity - July 19, 2021) (9)	5,000	4,952	5,076
Alvogen Pharma US, Inc. (11)	Pharmaceutical Company Focused on Generics				
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - May 23, 2018) (9)	1,966	1,938	1,996
AM General LLC (11)	Specialty Vehicle Manufacturer				
		LIBOR Plus 9.00%, Current Coupon 10.25%, Secured Debt (Maturity - March 22, 2018) (9)	2,850	2,775	2,501
AM3 Pinnacle Corporation	Provider of Comprehensive Internet, TV and Voice Services for Multi-Dwelling Unit Properties				
		10% Secured Debt (Maturity - October 22, 2018)	22,500	22,320	22,320
		Common Stock (Fully diluted 3.2%)		2,000	2,000
				24,320	24,320
American Beacon Advisors Inc. (11)	Provider of Sub-Advised Investment Products				
		LIBOR Plus 3.75%, Current Coupon 4.75%, Secured Debt (Maturity - November 22, 2019) (9)	6,500	6,436	6,534
AmeriTech College, LLC	For-Profit Nursing and Healthcare College				
			6,050	5,960	6,050

		18% Secured Debt (Maturity - March 9, 2017)			
[redacted]					
AMF Bowling Centers, Inc. (11)	Bowling Alley Operator				
		LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - June 29, 2018) (9)	4,938	4,799	4,975
[redacted]					
Ancile Solutions, Inc. (11)	Provider of eLearning Solutions				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - July 15, 2018) (9)	9,628	9,571	9,652
Answers Corporation (11)	Consumer Internet Search Services Provider				
		LIBOR Plus 5.50%, Current Coupon 6.50%, Secured Debt (Maturity - December 20, 2018) (9)	8,500	8,415	8,436

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[redacted]

AP Gaming I, LLC	Developer, Manufacturer, and Operator of Gaming Machines				
		LIBOR Plus 8.25%, Current Coupon 9.25%, Secured Debt (Maturity - December 20, 2020) (9)	7,000	6,790	6,913
Apria Healthcare Group, Inc. (11)	Provider of Home Healthcare Equipment				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - April 6, 2020) (9)	5,473	5,441	5,500
Artel, LLC (11)	Land-Based and Commercial Satellite Provider				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)	5,953	5,878	5,864
Atkins Nutritionals Holdings II, Inc. (11)	Weight Management Food Products				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - January 2, 2019) (9)	1,985	1,985	2,010
B. J. Alan Company	Retailer and Distributor of Consumer Fireworks				
		12.5% Current / 2.5% PIK Secured Debt (Maturity - June 22, 2017)	11,235	11,158	11,158
[redacted]					
Blackhawk Specialty Tools LLC (11)	Oilfield Equipment & Services				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - August 1, 2019) (9)	5,413	5,375	5,399
[redacted]					
Brand Connections, LLC	Venue-Based Marketing and Media				
		12% Secured Debt (Maturity - April 30, 2015)	7,063	6,983	7,063
Brasa Holdings, Inc. (11)	Upscale Full Service Restaurants				
		LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity - July 19, 2019) (9)	3,456	3,379	3,498
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - January 20, 2020) (9)	3,857	3,820	3,896

				7,199	7,394
Calloway Laboratories, Inc. (10)	Health Care Testing Facilities				
		12.00% PIK Secured Debt (Maturity - September 30, 2014)	6,336	6,276	4,738
		Warrants (Fully diluted 1.5%)		17	
				6,293	4,738
CDC Software Corporation (11)	Enterprise Application Software				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - August 6, 2018) (9)	4,197	4,163	4,244

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Cedar Bay Generation Company LP (11)	Coal-Fired Cogeneration Plant				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 23, 2020) (9)	7,964	7,891	8,028
Charlotte Russe, Inc. (11)	Fast-Fashion Retailer to Young Women				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 22, 2019) (9)	4,988	4,942	4,919
CHI Overhead Doors, Inc. (11)	Manufacturer of Overhead Garage Doors				
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - September 18, 2019) (9)	2,500	2,462	2,513
Collective Brands Finance, Inc. (11)	Specialty Footwear Retailer				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - October 9, 2019) (9)	2,481	2,481	2,494
Compact Power Equipment, Inc.	Equipment / Tool Rental				
		6% Current / 6% PIK Secured Debt (Maturity - October 1, 2017)	3,918	3,901	3,918
		Series A Stock (8% cumulative) (Fully diluted 4.2%) (8)		998	2,230
				4,899	6,148
CGSC of Delaware Holdings Corp. (11) (13)	Insurance Brokerage Firm				
		LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - October 16, 2020) (9)	2,000	1,972	1,940
Connolly Holdings, Inc. (11)	Audit Recovery Software				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - July 13, 2018) (9)	2,395	2,376	2,405
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - January 15, 2019) (9)	2,000	1,967	2,045
				4,343	4,450
CST Industries (11)	Storage Tank Manufacturer				
		LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	11,563	11,436	11,389
Drilling Info, Inc.	Information Services for the Oil and Gas Industry				
		Common Stock (Fully diluted 2.1%)		1,335	9,470
Emerald Performance Materials, Inc. (11)	Specialty Chemicals Manufacturer				
			4,434	4,401	4,467

		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 18, 2018) (9)		
EnCap Energy Fund Investments (12) (13)	Investment Partnership			
		LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)	2,868	2,985
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.3%)	1,192	1,301
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)	646	646
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)	2,723	2,723
			7,429	7,655

[redacted]

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[redacted]

Excelitas Technologies Corp. (11)	Lighting and Sensor Components				
		LIBOR Plus 5.00%, Current Coupon 6.00%, Secured Debt (Maturity - November 2, 2020) (9)	3,958	3,919	3,987
[redacted]					
FC Operating, LLC (10)	Christian Specialty Retail Stores				
		LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity - November 14, 2017) (9)	5,550	5,459	5,437
[redacted]					
Fram Group Holdings, Inc. (11)	Manufacturer of Automotive Maintenance Products				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 31, 2017) (9)	964	961	958
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (9)	1,000	996	953
				1,957	1,911
[redacted]					
Getty Images, Inc. (11)	Digital Photography and Video Content Marketplace				
		LIBOR Plus 3.50%, Current Coupon 4.75%, Secured Debt (Maturity - October 18, 2019) (9)	4,987	4,501	4,665
[redacted]					
Grupo Hima San Pablo, Inc. (11)	Tertiary Care Hospitals				
		LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - January 31, 2018) (9)	4,963	4,877	4,714
		13.75% Secured Debt (Maturity - July 31, 2018)	2,000	1,911	1,900
				6,788	6,614

[redacted]

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[redacted]					
iEnergizer Limited (11)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - May 1, 2019) (9)	8,150	8,020	8,028
[redacted]					
Ipreo Holdings LLC (11)	Application Software for Capital Markets	LIBOR Plus 4.00%, Current Coupon 5.00%, Secured Debt (Maturity - August 5, 2017) (9)	5,637	5,630	5,721
[redacted]					
Jackson Hewitt Tax Services, Inc. (11)	Tax Preparation Services	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - October 16, 2017) (9)	4,844	4,688	4,820
[redacted]					
Keypoint Government Solutions, Inc. (11)	Pre-Employment Screening Services	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2017) (9)	4,483	4,411	4,439
[redacted]					
Learning Care Group (US) No. 2 Inc. (11)	Provider of Early Childhood Education	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - May 8, 2019) (9)	5,486	5,436	5,521
[redacted]					

LKCM Distribution Holdings, L.P.	Distributor of Industrial Process Equipment				
		12% Current / 2.5% PIK Secured Debt (Maturity - December 23, 2018)	16,506	16,342	16,342

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[redacted]

MAH Merger Corporation (11)	Sports-Themed Casual Dining Chain				
		LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 19, 2019) (9)	7,350	7,277	7,313
[redacted]					
MediMedia USA, Inc. (11)	Provider of Healthcare Media and Marketing				
		LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - November 20, 2018) (9)	5,473	5,339	5,351
[redacted]					
MedSolutions Holdings, Inc. (11)	Specialty Benefit Management				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - July 8, 2019) (9)	3,900	3,864	3,912
[redacted]					
Milk Specialties Company (11)	Processor of Nutrition Products				
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - November 9, 2018) (9)	4,905	4,863	4,911
[redacted]					
Modern VideoFilm, Inc. (10)	Post-Production Film Studio				
		LIBOR Plus 3.50%, Current Coupon 5.00% / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity - December 19, 2017) (9)	5,397	5,198	4,749
		Warrants (Fully diluted 2.5%)		151	1
				5,349	4,750
[redacted]					

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[redacted]					
National Vision, Inc. (11)	Discount Optical Retailer				
		LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - August 2, 2018) (9)	3,163	3,125	3,173
[redacted]					
NGPL PipeCo, LLC (11)	Natural Gas Pipelines and Storage Facilities				
		LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	9,805	9,660	9,163
[redacted]					
North American Breweries Holdings, LLC (11)	Operator of Specialty Breweries				
		LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - December 11, 2018) (9)	3,960	3,892	3,881
[redacted]					
Nuverra Environmental Solutions, Inc. (11)	Water Treatment and Disposal Services				
		9.88% Unsecured Bond (Maturity - April 15, 2018)	3,500	3,500	3,413
[redacted]					
Panolam Industries International, Inc. (11)	Decorative Laminate Manufacturer				
		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - August 23, 2017) (9)	7,499	7,435	7,255
[redacted]					
Philadelphia Energy Solutions Refining and Marketing LLC (11)	Oil & Gas Refiner				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 4, 2018) (9)	2,978	2,939	2,625

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[redacted]					
Polyconcept Financial B.V. (11)	Promotional Products to Corporations and Consumers				
		LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - June 28, 2019) (9)	3,413	3,381	3,425
[redacted]					
PT Network, LLC (10)	Provider of Outpatient Physical Therapy and Sports Medicine Services				
		LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - November 1, 2018) (9)	8,597	8,499	8,499
[redacted]					
Ravago Holdings America Inc (11)	Polymers Distributor				
		LIBOR Plus 4.50%, Current Coupon 5.50%, Secured Debt (Maturity - December 20, 2020) (9)	6,250	6,188	6,266
[redacted]					
Sabre Industries, Inc. (11)	Manufacturer of Telecom Structures and Equipment				
		LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity - August 24, 2018) (9)	2,975	2,948	2,975
[redacted]					
SCE Partners, LLC (10)	Hotel & Casino Operator				
		LIBOR Plus 7.25%, Current Coupon 8.25%, Secured Debt (Maturity - August 8, 2019) (9)	7,500	7,429	6,975
[redacted]					

[redacted]

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Sourcehov LLC (11)	Business Process Services				
		LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - April 30, 2019) (9)	1,500	1,486	1,523
[redacted]					
Synagro Infrastructure Company, Inc (11)	Waste Management Services				
		LIBOR Plus 5.25%, Current Coupon 6.25%, Secured Debt (Maturity - August 22, 2020) (9)	6,983	6,849	6,924
[redacted]					
Technimark LLC (11)	Injection Molding				
		LIBOR Plus 4.25%, Current Coupon 5.50%, Secured Debt (Maturity - April 17, 2019) (9)	3,734	3,701	3,753
[redacted]					
Templar Energy LLC (11)	Oil & Gas Exploration & Production				
		LIBOR Plus 7.00%, Current Coupon 8.00%, Secured Debt (Maturity - November 25, 2020) (9)	3,000	2,941	3,017
[redacted]					
The Tennis Channel, Inc.	Television-Based Sports Broadcasting				
		Warrants (Fully diluted 0.1%)		235	301
[redacted]					

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[redacted]					
ThermaSys Corporation (11)	Manufacturer of Industrial Heat Exchanges				
		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - May 3, 2019) (9)	6,395	6,336	6,326
[redacted]					
Totes Isotoner Corporation (11)	Weather Accessory Retail				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,275	4,228	4,299
[redacted]					
UniTek Global Services, Inc. (11)	Provider of Outsourced Infrastructure Services				
		LIBOR Plus 9.50%, Current Coupon 11.00% / 4.00% PIK, Current Coupon Plus PIK 15.00%, Secured Debt (Maturity - April 15, 2018) (9)	10,034	9,328	10,016
		Warrants (Fully diluted 1.4%)		466	450
				9,794	10,466
[redacted]					
US Xpress Enterprises, Inc. (11)	Truckload Carrier				
		LIBOR Plus 7.88%, Current Coupon 9.38%, Secured Debt (Maturity - November 13, 2016) (9)	6,078	5,985	6,048
[redacted]					
Virtex Enterprises, LP (10)	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services				
		12.00% Secured Debt (Maturity - December 27, 2018)	1,667	1,612	1,612
		Preferred Class A Units (5% cumulative) (Fully diluted 1.4%) (8)		327	327
		Warrants (Fully diluted 1.1%)		22	22
				1,961	1,961

[redacted]

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[redacted]

Vision Solutions, Inc. (11)	Provider of Information Availability Software				
		LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9)	2,348	2,235	2,347
		LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (9)	5,000	4,969	5,050
				7,204	7,397
[redacted]					
Western Dental Services, Inc. (11)	Dental Care Services				
		LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - November 1, 2018) (9)	4,950	4,825	4,996
[redacted]					
Wilton Brands, LLC (11)	Specialty Housewares Retailer				
		LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	1,875	1,844	1,792
[redacted]					
YP Holdings LLC (11)	Online and Offline Advertising Operator				
		LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - June 4, 2018) (9)	2,800	2,737	2,834
[redacted]					
Subtotal Non-Control/Non-Affiliate Investments (50.9% of total investments at fair value)				643,068	661,102

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(in thousands)

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

(1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.

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

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

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

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

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

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

(8) Income producing through dividends or distributions.

(9) Index based floating interest rate is subject to contractual minimum interest rate.

(10) Private Loans portfolio investment. See Note B for summary of Private Loan.

(11) Middle Market portfolio investment. See Note B for summary of Middle Market.

(12) Other Portfolio investment. See Note B for summary of Other Portfolio.

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

(14) Non-accrual and non-income producing investment.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION

1. Organization

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

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

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

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

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

2. Basis of Presentation

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

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investment in the External Investment Manager and, for all periods up to and including March 31, 2013, the investment in the Internal Investment Manager, but excludes all Marketable securities and idle funds investments , and, for all periods after March 31, 2013, the Investment Portfolio also excludes the investment in the Internal Investment Manager (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for additional discussion of Main Street s Investment Portfolio and definitions for the terms LMM, Middle Market, Private Loan and Other Portfolio). For all periods up to and including the period ending March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment (see Note D) and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the Internal Investment Manager is consolidated with MSCC and its other consolidated subsidiaries. Marketable securities and idle funds investments are classified as financial instruments and are reported separately on Main Street s Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.11.). Main Street s results of operations and cash flows for the three months ended March 31, 2014 and 2013 and financial position as of March 31, 2014 and December 31, 2013, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

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, 2014 and 2013 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, 2013. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

Portfolio Investment Classification

Main Street classifies its Investment Portfolio in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) Control Investments are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation, (b) Affiliate Investments are defined as investments in which Main Street owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) Non-Control/Non-Affiliate Investments are defined as investments that are neither Control Investments nor Affiliate Investments.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of the Investment Portfolio

Main Street accounts for its Investment Portfolio at fair value. As a result, Main Street follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820 ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market

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participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact.

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

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

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

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

These valuation approaches consider the value associated with Main Street s ability to control the capital structure of the portfolio company, as well as the timing of a potential exit. For valuation purposes, control portfolio investments are composed of debt and equity securities in companies for which Main Street has a controlling interest in the portfolio company or the ability to

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nominate a majority of the portfolio company s board of directors. For valuation purposes, non-control portfolio investments are generally composed of debt and equity securities in companies for which Main Street does not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company s board of directors.

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

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

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on its investments in each LMM portfolio company quarterly. In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent advisor is generally consulted relative to Main Street s investments in each LMM portfolio company at least once in every calendar year, and for Main Street s investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders best interest, to consult with the nationally recognized independent advisor on its investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street s investment in a LMM portfolio company is determined to be insignificant relative to the total Investment Portfolio. Main Street consulted with its independent advisor in arriving at Main Street s determination of fair value on its investments in a total of 17 LMM portfolio companies for the three months ended March 31, 2014, representing approximately 29% of the total LMM portfolio at fair value as of March 31, 2014 and on a total of 15 LMM portfolio companies for the three months ended March 31, 2013, representing approximately 23% of the total LMM portfolio at fair value as of March 31, 2013. Excluding Main Street s investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of March 31, 2014 and 2013, as applicable, the percentage of the LMM portfolio reviewed for the three months ended March 31, 2014 and 2013 was 32% and 29% of total LMM portfolio at fair value as of March 31, 2014 and 2013, respectively.

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

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

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For valuation purposes, all of Main Street s Other Portfolio investments are non-control investments. Main Street s Other Portfolio investments comprised 3.4% and 3.3%, respectively, of Main Street s Investment Portfolio at fair value as of March 31, 2014 and December 31, 2013. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For its Other Portfolio equity investments, Main Street generally determines the fair value of its investments using the NAV valuation method. For Other Portfolio debt investments, Main Street determines the fair value of these investments through obtaining third-party quotes or other independent pricing to the extent the use of these inputs are available and appropriate to determine fair value. For Other Portfolio debt investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value its Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method.

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

Due to the inherent uncertainty in the valuation process, Main Street s determination of fair value for its Investment Portfolio may differ materially from the values that would have been 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. Main Street determines the fair value of each individual investment and records changes in fair value as unrealized appreciation or depreciation.

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

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

2. Use of Estimates

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

3. Cash and Cash Equivalents

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

At March 31, 2014, cash balances totaling $21.4 million exceeded FDIC insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company s cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

4. Marketable Securities and Idle Funds Investments

Marketable securities and idle funds investments include intermediate-term secured debt investments, independently rated debt investments and publicly traded debt and equity investments.

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

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

Main Street holds debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind (PIK) interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. For the three months ended March 31, 2014 and 2013, (i) approximately 5.4% and 5.2%, respectively, of Main Street s total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.2% and 0.7%, respectively, of Main Street s total investment income was attributable to cumulative dividend income not paid currently in cash.

As of March 31, 2014, Main Street had two investments with positive fair value on non-accrual status, which comprised approximately 2.0% of the total Investment Portfolio at fair value and 4.6% of the total Investment Portfolio at cost, and no fully impaired investments. As of December 31, 2013, Main Street had two investments with positive fair value on non-accrual status, which comprised approximately 2.3% of the total Investment Portfolio at fair value and 4.7% of the total Investment Portfolio at cost, and no fully impaired investments.

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

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

	Three Months Ended March 31, 2014	2013
	(in thousands) (Unaudited)	
Interest, fee and dividend income:		
Interest income	$ 25,734	$ 21,485
Fee income	791	1,426
Dividend income	4,044	2,422

Total interest, fee and dividend income	$	30,569	$	25,333

6. Deferred Financing Costs

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

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Deferred financing costs also include commitment fees and other costs related to Main Street s multi-year investment credit facility (the Credit Facility , as discussed further in Note F). These costs have been capitalized and are amortized into interest expense over their respective terms.

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

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

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

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

To maintain RIC tax treatment (as discussed below in Note B.9.), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected them. For the three months ended March 31, 2014 and 2013, approximately 4.0% and 2.8%, respectively, of Main Street s total investment income was attributable to interest income from the accretion of discounts, net of any premium reduction, associated with debt investments.

8. Share-Based Compensation

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

9. Income Taxes

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

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

The Internal Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities,

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may generate income tax expense or benefit. The Internal Investment Manager elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the source income requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Internal Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. Through March 31, 2013, the Internal Investment Manager provided for any income tax expense, or benefit, and any related tax assets or liabilities, in its separate financial statements. Beginning April 1, 2013, the Internal Investment Manager is included in Main Street s consolidated financial statements and reflected as a consolidated subsidiary and any income tax expense, or benefit, and any related tax assets and liabilities, are reflected in Main Street s consolidated financial statements.

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

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

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

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

11. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short term nature of these instruments. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities, independently rated debt investments, diversified bond funds and publicly traded debt and equity investments and the fair value determination for these investments under the provisions of ASC 820 generally consists of Level 1 and 2 observable inputs, similar in nature to those discussed further in Note C.

As part of the Exchange Offer, Main Street elected the fair value option under ASC 825, *Financial Instruments* (ASC 825) relating to accounting for debt obligations at their fair value, for the MSC II SBIC debentures acquired (the Acquired Debentures) as part of the acquisition accounting related to the Exchange Offer and values those obligations as discussed further in Note C. In order to provide for a more consistent basis of presentation, Main Street has continued to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. When the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to Net Change in Unrealized Appreciation (Depreciation) SBIC debentures as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is included in interest expense.

12. Earnings per Share

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

13. Recently Issued Accounting Standards

In February 2013, the FASB issued Accounting Standards Update (ASU) 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*

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(ASU 2013-04). ASU 2013-04 provides additional guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. Public companies are required to apply ASU 2013-04 prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of this standard did not have a material effect on Main Street s consolidated financial statements.

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

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of this standard did not have a material effect on Main Street s consolidated financial statements.

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

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION

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

Fair Value Hierarchy

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

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

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

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

- Quoted prices for similar assets in active markets (for example, investments in restricted stock);

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

- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and

- Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value

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measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. During the classification process, Main Street may determine that it is appropriate to transfer investments between fair value hierarchy Levels. These transfers occur when the company has concluded that it is appropriate for the classification of an individual asset to be changed due to a change in the factors used to determine the selection of the Level. Any such changes are deemed to be effective during the quarter in which the transfer occurs.

As of March 31, 2014 and December 31, 2013, all except for one of Main Street s LMM portfolio investments consisted of illiquid securities issued by private companies. The remaining investment was a publicly traded equity security. As a result, the fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. The fair value determination for the publicly traded equity security consisted of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value. As a result, all of Main Street s LMM portfolio investments were categorized as Level 3 as of March 31, 2014 and December 31, 2013, except for the one publicly traded equity security which was categorized as Level 2.

As of March 31, 2014, Main Street s Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, Main Street s Middle Market portfolio investments were categorized as Level 3 as of March 31, 2014. As of December 31, 2013, Main Street s Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value of these investments, observable inputs in the non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, a portion of Main Street s Middle Market portfolio investments were categorized as Level 2 as of December 31, 2013. For those Middle Market portfolio investments for which sufficient observable inputs were not available to determine fair value of the investments, Main Street categorized such investments as Level 3 as of December 31, 2013.

As of March 31, 2014 and December 31, 2013, Main Street s Private Loan portfolio investments primarily consisted of investments in interest-bearing debt securities in companies that are consistent with the size of companies in its LMM portfolio or its Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Main Street s Private Loan portfolio debt investments are generally secured by either a first or second priority lien. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street s Private Loan portfolio investments were categorized as Level 3 as of March 31, 2014 and December 31, 2013.

As of December 31, 2013, Main Street s Other Portfolio debt investments consisted of investments in secured debt investments. The fair value determination for Other Portfolio debt investments consisted of observable inputs in non-active markets and, as such, were categorized as Level 2 as of December 31, 2013. There were no Other Portfolio debt investments as of March 31, 2014.

As of March 31, 2014 and December 31, 2013, Main Street s Other Portfolio equity investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street s Other Portfolio equity investments were categorized as Level 3 as of March 31, 2014 and December 31, 2013.

As of March 31, 2014 and December 31, 2013, Main Street s Marketable securities and idle funds investments consisted primarily of investments in publicly traded debt and equity investments. The fair value determination for these investments consisted of a combination of observable inputs in active markets for which sufficient observable inputs were available to determine the fair value of these investments. As a result, all of Main Street s Marketable securities and idle funds investments were categorized as Level 1 as of March 31, 2014 and December 31, 2013.

The fair value determination of each portfolio investment categorized as Level 3 required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;

- Current and projected financial condition of the portfolio company;

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- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Pending debt or capital restructuring of the portfolio company;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and

- Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street s LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be appropriate), are (i) EBITDA multiples and (ii) the weighted average cost of capital (WACC). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street s LMM, Middle Market, Private Loan and Other Portfolio debt securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (described in Note B.1. Valuation of the Investment Portfolio) and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the table below.

Type of Investment		Fair Value as of March 31, 2014 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (3)			Weighted Average (3)
Equity investments	$	320,507	Discounted cash flow	Weighted average cost of capital	10.2%	-	21.4%	13.8%
			Market comparable / Enterprise Value	EBITDA multiple (1)	4.0x	-	7.3x (2)	6.0x
Debt investments	$	460,785	Discounted cash flow	Risk adjusted discount factor	6.5%	-	26.4% (2)	14.5%
				Adjustment factors	66.9%	-	100.0%	98.3%
	$	514,631	Market Approach	Third Party Quote	82.8	-	103.0	
Total Level 3 investments	$	1,295,923						

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 3.5x - 11.5x and the range for risk adjusted discount factor is 6.5% - 157.7%.

(3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

The following table provides a summary of the significant unobservable inputs used to fair value Main Street s Level 3 portfolio investments as of December 31, 2013:

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Type of Investment		Fair Value as of December 31, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (3)			Weighted Average (3)
Equity investments	$	307,322	Discounted cash flow	Weighted average cost of capital	11.1%	-	19.0%	14.3%
			Market comparable / Enterprise Value	EBITDA multiple (1)	4.0x	-	7.2x (2)	6.0x
Debt investments	$	467,396	Discounted cash flow	Risk adjusted discount factor	6.5%	-	26.4% (2)	14.3%
				Adjustment factors	66.9%	-	100.0%	97.8%
	$	430,172	Market Approach	Third Party Quote	82.3	-	102.9	
Total Level 3 investments	$	1,204,890						

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 11.5x and the range for risk adjusted discount factor is 6.5% - 96.0%.

(3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

The following table provides a summary of changes in fair value of Main Street s Level 3 portfolio investments for the three months ended March 31, 2014 (amounts in thousands). All transfers that occurred between fair value hierarchy levels during the three months ended March 31, 2014 were transfers out of Level 2 into Level 3.

Type of Investment		Fair Value as of December 31, 2013		Transfers Into Level 3 Hierarchy		Redemptions/ Repayments (1)		New Investments (1)		Net Changes from Unrealized to Realized		Net Unrealized Appreciation (Depreciation)		Other (1)		Fair Value as of March 31, 2014
Debt	$	897,568	$	55,102	$	(103,179)	$	128,183	$	184	$	(2,459)	$	17	$	975,416
Equity		270,764				(393)		3,972		4		11,098				285,445
Equity Warrant		36,558						297				(1,776)		(17)		35,062
	$	1,204,890	$	55,102	$	(103,572)	$	132,452	$	188	$	6,863	$	0	$	1,295,923

(1) Includes the impact of non-cash conversions.

The following table provides a summary of changes in fair value of Main Street s Level 3 portfolio investments for the three months ended March 31, 2013 (amounts in thousands). All transfers that occurred between fair value hierarchy levels during the three months ended March 31, 2013 were transfers out of Level 2 into Level 3.

Redemptions/	New	Net Changes from	Net Unrealized

Type of Investment	Fair Value as of December 31, 2012	Transfers Into Level 3 Hierarchy	Repayments/ (1)	Investments (1)	Unrealized to Realized	Appreciation (Depreciation)	Other (1)	Fair Value as of March 31, 2013
Debt	$ 477,272	$ 4,992	$ (25,841)	$ 105,291	$ (522)	$ 1,948	$ 1,195	$ 564,335
Equity	191,764		152	7,009		5,913	780	205,618
Equity warrants	28,595		(160)	53		1,220	(780)	28,928
	$ 697,631	$ 4,992	$ (25,849)	$ 112,353	$ (522)	$ 9,081	$ 1,195	$ 798,881

(1) Includes the impact of non-cash conversions.

As of March 31, 2014 and December 31, 2013, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a Yield-to-Maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street s estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument.

The significant unobservable inputs used in the fair value measurement of Main Street s SBIC debentures recorded at fair value are the estimated market interest rates used to fair value each debenture using the yield valuation technique described above. Significant increases (decreases) in the Yield-to-Maturity valuation inputs in isolation would result in a significantly lower (higher) fair value measurement.

The following table provides a summary of the significant unobservable inputs used to fair value Main Street s Level 3 SBIC debentures as of March 31, 2014 (amounts in thousands):

Type of Instrument	Fair Value as of March 31, 2014 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	$ 63,239	Discounted cash flow	Estimated market interest rates	7.7% - 9.2%	8.5%

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The following table provides a summary of the significant unobservable inputs used to fair value Main Street s Level 3 SBIC debentures as of December 31, 2013 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	$ 62,050	Discounted cash flow	Estimated market interest rates	8.5% - 9.1%	8.9%

The following table provides a summary of changes for the Level 3 SBIC debentures recorded at fair value for the three months ended March 31, 2014 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2013	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of March 31, 2014
SBIC Debentures at fair value	$ 62,050	$	$	$ 1,189	$ 63,239

The following table provides a summary of changes for the Level 3 SBIC debentures recorded at fair value for the three months ended March 31, 2013 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2012	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of March 31, 2013
SBIC Debentures at fair value	$ 86,467	$	$	$ 1,212	$ 87,679

At March 31, 2014 and December 31, 2013, Main Street s investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurements (in thousands)		
At March 31, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 654,431	$	$ 12,956	$ 641,475
Middle Market portfolio investments	491,611			491,611
Private Loan portfolio investments	116,640			116,640
Other Portfolio investments	43,872			43,872
External Investment Manager	2,325			2,325

Total portfolio investments		1,308,879				12,956		1,295,923
Marketable securities and idle funds investments		11,258		11,258				
Total investments	$	1,320,137	$	11,258	$	12,956	$	1,295,923
SBIC Debentures at fair value	$	63,239	$		$		$	63,239

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At December 31, 2013	Fair Value	Fair Value Measurements (in thousands) Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 659,405	$	$ 10,235	$ 649,170
Middle Market portfolio investments	471,458		69,063	402,395
Private Loan portfolio investments	111,463			111,463
Other Portfolio investments	42,798		2,000	40,798
External Investment Manager	1,064			1,064
Total portfolio investments	1,286,188		81,298	1,204,890
Marketable securities and idle funds investments	13,301	13,301		
Total investments	$ 1,299,489	$ 13,301	$ 81,298	$ 1,204,890
SBIC Debentures at fair value	$ 62,050	$	$	$ 62,050

Portfolio Investment Composition

Main Street s lower middle market (LMM) portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street s LMM portfolio companies generally have annual revenues between $10 million and $150 million, and its LMM investments generally range in size from $5 million to $50 million. The LMM debt investments are typically secured by either a first or second lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio companies, Main Street usually receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.

Main Street s middle market (Middle Market) portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the LMM companies included in Main Street s LMM portfolio. Main Street s Middle Market portfolio companies generally have annual revenues between $150 million and $1.5 billion and its Middle Market investments generally range in size from $3 million to $15 million. Main Street s Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the company and typically have a term of between three and five years.

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

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

Main Street s external asset management business is conducted through its External Investment Manager. Main Street has entered into an agreement through the Internal Investment Manager to provide the External Investment Manager with asset management service support for HMS Income Fund, Inc. (HMS Income). Through this agreement, Main Street provides management and other services to the External Investment Manager, as well as access to Main Street s employees, infrastructure, business relationships, management expertise and capital raising capabilities. Beginning in the first quarter of 2014, Main Street charges the External Investment Manager an allocation of expenses for the use of these services, and Main Street s total expenses for the first quarter of 2014 include an offset of $0.3 million for the allocation of these expenses (see Note D for additional information). The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed.

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Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could also be highly concentrated among several portfolio companies. For the three months ended March 31, 2014 and 2013, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of March 31, 2014, Main Street had debt and equity investments in 61 LMM portfolio companies with an aggregate fair value of approximately $654.4 million, with a total cost basis of approximately $530.6 million, and a weighted average annual effective yield on its LMM debt investments of approximately 15.1%. As of March 31, 2014, approximately 75% of Main Street s total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of Main Street s LMM portfolio companies. At March 31, 2014, Main Street had equity ownership in approximately 95% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2013, Main Street had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately $659.4 million, with a total cost basis of approximately $543.3 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.7%. As of December 31, 2013, approximately 76% of Main Street s total LMM portfolio investments at cost were in the form of debt investments and approximately 86% of such debt investments at cost were secured by first priority liens on the assets of Main Street s LMM portfolio companies. At December 31, 2013, Main Street had equity ownership in approximately 94% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of March 31, 2014 and December 31, 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of March 31, 2014, Main Street had Middle Market portfolio investments in 89 companies, collectively totaling approximately $491.6 million in fair value with a total cost basis of approximately $487.4 million. The weighted average EBITDA for the 89 Middle Market portfolio companies was approximately $71.3 million as of March 31, 2014. As of March 31, 2014, substantially all of Main Street s Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street s Middle Market portfolio debt investments was approximately 7.6% as of March 31, 2014. As of December 31, 2013, Main Street had Middle Market portfolio investments in 92 companies, collectively totaling approximately $471.5 million in fair value with a total cost basis of approximately $468.3 million. The weighted average EBITDA for the 92 Middle Market portfolio companies was approximately $79.0 million as of December 31, 2013. As of December 31, 2013, substantially all of its Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street s Middle Market portfolio debt investments was approximately 7.8% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of March 31, 2014 and December 31, 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments.

As of March 31, 2014, Main Street had Private Loan portfolio investments in 17 companies, collectively totaling approximately $116.6 million in fair value with a total cost basis of approximately $119.4 million. The weighted average EBITDA for the 17 Private Loan portfolio companies was approximately $7.1 million as of March 31, 2014. As of March 31, 2014, approximately 96% of Main Street s Private Loan portfolio investments were in the form of debt investments and approximately 99% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street s Private Loan portfolio debt investments was approximately 11.1% as of March 31, 2014. As of December 31, 2013, Main Street had Private Loan portfolio investments in 15 companies, collectively totaling approximately $111.5 million in fair value with a total cost basis of approximately $111.3 million. The weighted average EBITDA for the 15 Private Loan portfolio companies was approximately $18.4 million as of December 31, 2013. As of December 31, 2013, approximately 95% of its Private Loan portfolio investments were in the form of debt investments and approximately 98% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street s Private Loan portfolio debt investments was approximately 11.3% as of December 31, 2013. The weighted average annual yields were computed using the effective interest rates for all debt investments at cost as of March 31, 2014 and December 31, 2013, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments.

As of March 31, 2014, Main Street had Other Portfolio investments in 5 companies, collectively totaling approximately $43.9 million in fair value and approximately $41.3 million in cost basis and which comprised 3.4% of Main Street s Investment Portfolio at fair value as of March 31, 2014. As of December 31, 2013, Main Street had Other Portfolio investments in 6 companies, collectively totaling approximately $42.8 million in fair value and approximately $40.1 million in cost basis and which comprised 3.3% of Main Street s Investment Portfolio at fair value as of December 31, 2013.

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As discussed further above, Main Street holds an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of March 31, 2014, there was no cost basis in this investment and the investment had a fair value of $2.3 million, which comprised 0.2% of its Investment Portfolio at fair value. As of December 31, 2013, there was no cost basis in this investment and the investment had a fair value of $1.1 million, which comprised 0.1% of Main Street s Investment Portfolio at fair value.

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

Cost:	**March 31, 2014**	**December 31, 2013**
First lien debt	79.4%	79.0%
Equity	10.3%	10.4%
Second lien debt	7.9%	8.4%
Equity warrants	1.9%	1.9%
Other	0.5%	0.3%
	100.0%	100.0%

Fair Value:	**March 31, 2014**	**December 31, 2013**
First lien debt	69.6%	69.9%
Equity	20.0%	19.3%
Second lien debt	7.1%	7.6%
Equity warrants	2.8%	2.9%
Other	0.5%	0.3%
	100.0%	100.0%

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

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Cost:	March 31, 2014	December 31, 2013
Southwest	26.9%	27.8%
West	19.0%	19.1%
Northeast	19.0%	18.0%
Midwest	15.6%	15.4%
Southeast	15.5%	15.6%
Canada	1.2%	1.2%
Other Non-United States	2.8%	2.9%
	100.0%	100.0%

Fair Value:	March 31, 2014	December 31, 2013
Southwest	30.4%	30.9%
West	20.0%	20.1%
Northeast	18.5%	17.6%
Midwest	15.1%	15.0%
Southeast	12.4%	12.6%
Canada	1.1%	1.1%
Other Non-United States	2.5%	2.7%
	100.0%	100.0%

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

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Cost:	March 31, 2014	December 31, 2013
Energy Equipment & Services	10.4%	10.7%
Media	8.6%	7.8%
Specialty Retail	6.6%	7.2%
Hotels, Restaurants & Leisure	6.3%	5.8%
IT Services	5.5%	6.1%
Health Care Providers & Services	5.3%	5.8%
Commercial Services & Supplies	4.9%	5.1%
Machinery	3.8%	3.3%
Construction & Engineering	3.7%	4.1%
Diversified Telecommunication Services	3.3%	3.3%
Software	3.2%	3.8%
Oil, Gas & Consumable Fuels	3.1%	3.2%
Internet Software & Services	3.1%	2.5%
Road & Rail	2.7%	2.7%
Diversified Consumer Services	2.7%	2.4%
Electronic Equipment, Instruments & Components	2.3%	2.3%
Chemicals	2.0%	1.3%
Auto Components	1.6%	1.6%
Trading Companies & Distributors	1.4%	1.5%
Professional Services	1.4%	1.4%
Food Products	1.4%	0.9%
Building Products	1.3%	1.4%
Textiles, Apparel & Luxury Goods	1.1%	1.6%
Health Care Equipment & Supplies	1.1%	1.2%
Consumer Finance	1.1%	1.1%
Containers & Packaging	1.1%	1.0%
Household Products	1.0%	0.5%
Other (1)	10.0%	10.4%
	100.0%	100.0%

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

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Fair Value:	March 31, 2014	December 31, 2013
Energy Equipment & Services	9.5%	10.2%
Media	8.2%	7.6%
Specialty Retail	6.0%	6.5%
Hotels, Restaurants & Leisure	6.0%	5.6%
Machinery	5.7%	5.3%
Health Care Providers & Services	5.0%	5.6%
IT Services	5.0%	5.6%
Commercial Services & Supplies	4.3%	4.6%
Diversified Consumer Services	4.3%	3.9%
Construction & Engineering	4.2%	4.6%
Diversified Telecommunication Services	3.7%	3.6%
Internet Software & Services	3.5%	2.9%
Software	3.4%	4.0%
Road & Rail	3.0%	3.0%
Oil, Gas & Consumable Fuels	2.8%	2.9%
Electronic Equipment, Instruments & Components	2.4%	2.4%
Chemicals	1.9%	1.2%
Auto Components	1.7%	1.5%
Paper & Forest Products	1.4%	1.3%
Trading Companies & Distributors	1.3%	1.3%
Food Products	1.3%	0.8%
Professional Services	1.2%	1.2%
Textiles, Apparel & Luxury Goods	1.0%	1.4%
Building Products	1.0%	1.0%
Containers & Packaging	1.0%	0.9%
Health Care Equipment & Supplies	0.9%	1.0%
Other (1)	10.3%	10.1%
	100.0%	100.0%

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

At March 31, 2014 and December 31, 2013, Main Street had no portfolio investment that was greater than 10% of the Investment Portfolio at fair value.

NOTE D WHOLLY OWNED INVESTMENT MANAGERS

External Investment Manager

As discussed further above in Note A.1., the External Investment Manager provides investment management advisory and other services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC since the External Investment Manager conducts all of its investment management activities for parties outside of MSCC and its consolidated subsidiaries.

During May 2012, MSCC entered into an investment sub-advisory agreement with HMS Adviser, LP (HMS Adviser), which is the investment advisor to HMS Income Fund, Inc. (HMS Income), a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining no-action relief from the SEC to allow us to own a registered investment adviser, MSCC assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC s ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, MSCC and the External Investment Adviser agreed to waive all such fees from the effective date of HMS Adviser s registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither MSCC nor the External Investment Adviser had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid

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compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. Neither MSCC nor the External Investment Manager has waived the External Investment Manager s management or incentive fees after December 31, 2013 and, as a result, the External Investment Manager began accruing such fees on January 1, 2014. During the first quarter of 2014, the External Investment Manager earned $0.3 million of management fees under the sub-advisory agreement with HMS Adviser.

The investment in the External Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street s Board of Directors. Main Street determines the fair value of the External Investment Manager using the Waterfall methodology under the market approach (see further discussion in Note B.1.). Any change in fair value of the investment in the External Investment Manager is recognized on Main Street s statement of operations in Unrealized appreciation (depreciation) in Portfolio investments .

The External Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income, or loss, and, as a result of its activities, may generate income tax expense or benefit. The External Investment Manager has elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the source income requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the External Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. The External Investment Manager provides for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements.

The Internal Investment Manager provides services to the External Investment Manager and allocates the expenses necessary to perform these services to the External Investment generally based on a combination of the direct time spent, new investment origination activity and assets under management, depending on the nature of the expense. The Internal Investment Manager has agreed to waive reimbursement of a portion of these expenses to the extent an allocation of such expenses would cause the External Investment Manager to incur an operating loss. For the three months ended March 31, 2014, the waiver of expenses by the Internal Investment Manager totaled $23,000 and the Internal Investment Manager allocated $0.3 million of total expenses to the External Investment Manager.

Summarized financial information from the separate financial statements of the External Investment Manager as of and for the three months ended March 31, 2014 is as follows:

	As of March 31, 2014 (in thousands) (Unaudited)	
Accounts receivable - HMS Income	$	291
Total assets	$	291
Payable to Internal Investment Manager	$	291
Equity		
Total liabilities and equity	$	291

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		Three Months Ended March 31, 2014 (in thousands) (Unaudited)
Management fee income	$	291
Expenses allocated from Internal Investment Advisor:		
Salaries, benefits and other personnel costs		(248)
Other expenses		(66)
Waived expenses		23
Total allocated expenses		(291)
Pre-tax income		
Tax expense		
Net income	$	

Internal Investment Manager

The Internal Investment Manager is a wholly owned subsidiary of MSCC. However, through March 31, 2013, the Internal Investment Manager was accounted for as a portfolio investment since the Internal Investment Manager is not an investment company and since it had historically conducted a significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries. Effective April 1, 2013, the Internal Investment Manager was consolidated prospectively as the controlled operating subsidiary is considered to be providing substantially all of its services directly or indirectly to Main Street or its portfolio companies.

The Internal Investment Manager receives recurring investment management and other fees, in addition to a reimbursement of certain expenses, from MSCC and certain direct and indirect wholly owned subsidiaries of MSCC. Through March 31, 2013, the Internal Investment Manager also received certain management, consulting and advisory fees for providing these services to third parties (the External Services).

As of March 31, 2013 (the last period the Internal Investment Manager was considered to be a portfolio investment for accounting purposes), the fair value of the investment in the Internal Investment Manager was zero. Beginning April 1, 2013, the Internal Investment Manager was fully consolidated with MSCC and its other consolidated subsidiaries in Main Street s consolidated financial statements and, as of April 1, 2013, all assets and liabilities were included in the consolidated balance sheet at fair value.

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

Pursuant to a historical support services agreement with MSCC, the Internal Investment Manager was reimbursed each quarter by MSCC for its cash operating expenses, less fees that the Internal Investment Manager received from MSC II and third parties, associated with providing investment management and other services to MSCC, its subsidiaries and third parties. Through March 31, 2013, these fees paid by MSC II to the Internal Investment Manager were reflected as Expenses reimbursed to affiliated Internal Investment Manager on the statements of operations along with any additional net costs reimbursed by MSCC and its consolidated subsidiaries to the Internal Investment Manager pursuant to the support services agreement. Beginning April 1, 2013, the expenses of the Internal Investment Manager are included in Main Street s consolidated financial statements, after elimination of any intercompany activity, in the statement of operations as either compensation expenses or as a part of general and administrative expenses.

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In the separate stand-alone financial statements of the Internal Investment Manager as summarized below, as part of the Formation Transactions the Internal Investment Manager recognized an $18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of Pushdown Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase (SAB 54). Under SAB 54, push-down accounting is required in purchase transactions that result in an entity becoming substantially wholly owned. In this case, MSCC acquired 100% of the equity interests in the Internal Investment Manager in the Formation Transactions. Because the $18 million value attributed to MSCC s investment in the Internal Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the $18 million valuation of the Internal Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. Through March 31, 2013, amortization expense was recorded by the Internal Investment Manager in its separate financial statements, but this amortization expense was not included in the expenses reimbursed by MSCC to the Internal Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature. Upon consolidation of the Internal Investment Manager effective April 1, 2013, and for all periods thereafter, the effects of the intangible asset and related amortization expense have been fully eliminated in Main Street s consolidated financial statements.

Summarized financial information from the separate financial statements of the Investment Manager through March 31, 2013 is as follows:

	As of March 31, 2013 (in thousands) (Unaudited)	
Cash	$	524
Accounts receivable		79
Accounts receivable - MSCC		106
Intangible asset (net of accumulated amortization of $6,021)		11,979
Deposits and other		556
Total assets	$	13,244
Accounts payable and accrued liabilities	$	1,410
Equity		11,834
Total liabilities and equity	$	13,244

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		Three Months Ended March 31, 2013 (in thousands) (Unaudited)
Management fee income from MSC II	$	776
Other management advisory fees		
Total income		776
Salaries, benefits and other personnel costs		(2,731)
Occupancy expense		(108)
Professional expenses		(77)
Amortization expense - intangible asset		(340)
Other expenses		(273)
Expense reimbursement from MSCC		2,413
Total net expenses		(1,116)
Net Loss	$	(340)

As a result of the consolidation of the Internal Investment Manager effective April 1, 2013, beginning in the second quarter of 2013 the balance sheet and income statement accounts of the Internal Investment Manager are included in Main Street s consolidated financial statements and the Investment in affiliated Internal Investment Manager and Expenses reimbursed to affiliated Internal Investment Manager accounts included in Main Street s historical consolidated financial statements have zero balances. In addition, as a result of the consolidation of the accounts of the Internal Investment Manager effective April 1, 2013, beginning with the second quarter of 2013, the expenses on Main Street s income statement that were included in Expenses reimbursed to affiliated Internal Investment Manager in prior periods are now included in Compensation or General and administrative expenses. The consolidation of the Internal Investment Manager has no net effect on net investment income or total expenses reported in any of the comparable periods presented.

The following unaudited supplemental pro forma information has been provided for illustrative purposes only to show the effects on the individual line items in Main Street s consolidated statements of operations affected for these periods prior to consolidation of the Internal Investment Manager. Future results may vary significantly from the results reflected in the following pro forma financial information because of future events and transactions, as well as other factors. No per share amounts are shown as the consolidation of the Internal Investment Manager would not have changed any per share results. The following pro forma information has been provided for the three months ended March 31, 2014 and 2013 as though the Internal Investment Manager had been consolidated as of the beginning of each period presented.

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	Three Months Ended March 31, 2014 (Actual)	2013 (Pro-forma)
	(in thousands) (Unaudited)	
Compensation	$ (2,351)	$ (2,731)
General and administrative	(1,547)	(1,145)
Expenses reimbursed to affiliated Internal Investment Manager		
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK	$ 27,234	$ 23,629

NOTE E SBIC DEBENTURES

SBIC debentures payable at March 31, 2014 and December 31, 2013 were $225.0 million and $200.2 million, respectively. The SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate on the SBIC debentures as of March 31, 2014 and December 31, 2013 was 4.2% and 3.8%, respectively. Main Street issued $24.8 million of new SBIC debentures under the SBIC program in the first quarter of 2014 to reach the regulatory maximum amount of $225.0 million. The first principal maturity due under the existing SBIC debentures is in 2017, and the remaining weighted average duration as of March 31, 2014 is approximately 7.3 years. For the three months ended March 31, 2014 and 2013, Main Street recognized interest expense attributable to the SBIC debentures of $2.0 million and $2.7 million, respectively. Main Street has incurred leverage and other miscellaneous fees of approximately 3.4% of the debenture principal amount. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of March 31, 2014, the recorded value of the SBIC debentures was $213.0 million which consisted of (i) $63.2 million recorded at fair value, or $12.0 million less than the $75.2 million face value of the SBIC debentures held in MSC II, and (ii) $149.8 million reported at face value and held in MSMF. As of March 31, 2014, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately $169.1 million, or $55.9 million less than the $225.0 million face value of the SBIC debentures.

NOTE F CREDIT FACILITY

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility provides for total commitments of $445.0 million from a diversified group of thirteen lenders. The Credit Facility contains an accordion feature which allows Main Street to increase the total commitments under the facility up to $500 million from new or existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to Main Street s election, on a per annum basis equal to (i) the applicable LIBOR rate (0.15%, as of March 31, 2014) plus 2.25% or (ii) the applicable base rate (Prime Rate, 3.25% as of March 31, 2014) plus 1.25%. Main Street pays unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2018, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval.

At March 31, 2014, Main Street had $236.0 million in borrowings outstanding under the Credit Facility. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of $1.8 million and $1.2 million, respectively, for the three months ended March 31, 2014 and 2013. As of March 31, 2014, the interest rate on the Credit Facility was 2.4% and Main Street was in compliance with all financial covenants of the Credit Facility.

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NOTE G   NOTES

In April 2013, Main Street issued $92.0 million, including the underwriters full exercise of their option to purchase additional principal amounts to cover over-allotments, in aggregate principal amount of 6.125% Notes due 2023 (the Notes). The Notes are unsecured obligations and rank pari passu with its current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street s option on or after April 1, 2018. The Notes bear interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year, beginning July 1, 2013. Main Street recognized interest expense related to the Notes, including amortization of deferred loan costs, of $1.5 million for the three months ended March 31, 2014. The total net proceeds to Main Street from the Notes, after underwriting discounts and estimated offering expenses payable by Main Street, were approximately $89.0 million. Main Street has listed the Notes on the New York Stock Exchange under the trading symbol MSCA . Main Street may from time to time repurchase Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of March 31, 2014, the outstanding balance of the Notes was $90.9 million.

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

NOTE H   FINANCIAL HIGHLIGHTS

Per Share Data:	**Three Months Ended March 31, 2014**	**2013**
Net asset value at the beginning of the period	$ 19.89	$ 18.59
Net investment income (1)	0.52	0.50
Net realized gain (loss) (1) (2)	0.04	(0.01)
Net change in unrealized appreciation (1) (2)	0.17	0.25
Income tax provision (1) (2)	(0.05)	(0.06)
Net increase in net assets resulting from operations (1)	0.68	0.68
Dividends paid to stockholders from net investment income	(0.50)	(0.79)
Dividends paid to stockholders from realized gains/losses		(0.01)
Total dividends paid	(0.50)	(0.80)
Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period		(0.01)
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.03	0.07
Other (3)	0.04	0.02