

Main Street Capital CORP  
Form 10-Q  
November 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from:                      to

Commission File Number: 001-33723

## Main Street Capital Corporation

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**41-2230745**

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

**1300 Post Oak Boulevard, Suite 800**

**Houston, TX**

(Address of principal executive offices)

**77056**

(Zip Code)

**(713) 350-6000**

(Registrant's telephone number including area code)

**n/a**

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of the issuer's common stock as of November 7, 2013 was 39,734,794.



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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(in thousands, except shares and per share amounts)**

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$275,407 and \$217,483 as of September 30, 2013 and December 31, 2012, respectively)	\$ 349,581	\$ 278,475
Affiliate investments (cost: \$212,953 and \$142,607 as of September 30, 2013 and December 31, 2012, respectively)	261,229	178,413
Non-Control/Non-Affiliate investments (cost: \$526,197 and \$456,975 as of September 30, 2013 and December 31, 2012, respectively)	541,597	467,543
Investment in affiliated Investment Manager (cost: \$2,668 as of December 31, 2012)		
Total portfolio investments (cost: \$1,014,557 and \$819,733 as of September 30, 2013 and December 31, 2012, respectively)	1,152,407	924,431
Marketable securities and idle funds investments (cost: \$21,195 and \$28,469 as of September 30, 2013 and December 31, 2012, respectively)	19,963	28,535
Total investments (cost: \$1,035,752 and \$848,202 as of September 30, 2013 and December 31, 2012, respectively)	1,172,370	952,966
Cash and cash equivalents	17,574	63,517
Interest receivable and other assets	14,429	14,580
Receivable for securities sold	25,639	
Deferred financing costs (net of accumulated amortization of \$4,370 and \$3,203 as of September 30, 2013 and December 31, 2012, respectively)	9,312	5,162
Total assets	\$ 1,239,324	\$ 1,036,225
<b>LIABILITIES</b>		
SBIC debentures (par: \$161,200 as of September 30, 2013 and \$225,000 as of December 31, 2012, par of \$75,200 and \$100,000 is recorded at a fair value of \$62,259 and \$86,467 as of September 30, 2013 and December 31, 2012, respectively)	\$ 148,259	\$ 211,467
Credit facility	166,000	132,000
Notes payable	90,882	
Payable for securities purchased	12,913	20,661
Deferred tax liability, net	11,110	11,778
Accounts payable and other liabilities	7,414	4,527
Dividend payable	6,353	5,188
Interest payable	2,217	3,562
Payable to affiliated Investment Manager		4,066
Total liabilities	445,148	393,249
Commitments and contingencies (Note M)		

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**NET ASSETS**

Common stock, \$0.01 par value per share (150,000,000 shares authorized; 39,698,645 and 34,589,484 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively)	397	346
Additional paid-in capital	688,544	544,136
Accumulated net investment income, net of cumulative dividends of \$181,149 and \$115,401 as of September 30, 2013 and December 31, 2012, respectively	17,939	35,869
Accumulated net realized gain from investments (accumulated net realized gain from investments of \$7,244 before cumulative dividends of \$32,192 as of September 30, 2013 and accumulated net realized gain from investments of \$9,838 before cumulative dividends of \$28,993 as of December 31, 2012)	(24,948)	(19,155)
Net unrealized appreciation, net of income taxes	112,244	81,780
<b>Total net assets</b>	<b>794,176</b>	<b>642,976</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,239,324</b>	<b>\$ 1,036,225</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 20.01</b>	<b>\$ 18.59</b>

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations****(in thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>INVESTMENT INCOME:</b>				
Interest, fee and dividend income:				
Control investments	\$ 8,840	\$ 5,991	\$ 23,543	\$ 17,841
Affiliate investments	6,453	4,838	17,514	14,652
Non-Control/Non-Affiliate investments	13,974	12,015	40,974	30,263
Interest, fee and dividend income	29,267	22,844	82,031	62,756
Interest, fee and dividend income from marketable securities and idle funds	392	110	1,073	1,599
Total investment income	29,659	22,954	83,104	64,355
<b>EXPENSES:</b>				
Interest	(5,922)	(3,923)	(15,346)	(11,967)
Compensation	(2,575)		(5,148)	
General and administrative	(1,533)	(595)	(3,471)	(1,757)
Expenses reimbursed to affiliated Investment Manager		(2,215)	(3,189)	(7,574)
Share-based compensation	(2,152)	(699)	(3,357)	(1,860)
Total expenses	(12,182)	(7,432)	(30,511)	(23,158)
<b>NET INVESTMENT INCOME</b>	<b>17,477</b>	<b>15,522</b>	<b>52,593</b>	<b>41,197</b>
<b>NET REALIZED GAIN (LOSS):</b>				
Control investments	(2,635)	122	(2,635)	(1,940)
Affiliate investments	780		780	5,500
Non-Control/Non-Affiliate investments	(1,164)	128	(1,024)	478
Marketable securities and idle funds investments	22	277	285	1,297
SBIC debentures	(4,775)		(4,775)	
Total net realized gain (loss)	(7,772)	527	(7,369)	5,335
<b>NET REALIZED INCOME</b>	<b>9,705</b>	<b>16,049</b>	<b>45,224</b>	<b>46,532</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>				
Portfolio investments	14,475	22,096	30,889	44,120
Marketable securities and idle funds investments	(490)	(151)	(1,300)	(235)
SBIC debentures	4,839	(1,858)	4,183	(3,367)
Investment in affiliated Investment Manager				(51)
Total net change in unrealized appreciation	18,824	20,087	33,772	40,467
<b>INCOME TAXES:</b>				
Federal and state income, excise, and other taxes	(371)		(1,793)	(1,006)
Deferred taxes	(104)	(4,169)	(1,515)	(6,035)
Income tax provision	(475)	(4,169)	(3,308)	(7,041)
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>28,054</b>	<b>31,967</b>	<b>75,688</b>	<b>79,958</b>

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Noncontrolling interest						(54)		
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	\$	28,054	\$	31,967	\$	75,688	\$	79,904
<b>NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED</b>	\$	0.47	\$	0.49	\$	1.48	\$	1.44
<b>NET REALIZED INCOME PER SHARE - BASIC AND DILUTED</b>	\$	0.26	\$	0.51	\$	1.27	\$	1.62
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED</b>	\$	0.76	\$	1.01	\$	2.13	\$	2.79
<b>DIVIDENDS PAID PER SHARE:</b>								
Regular monthly dividends	\$	0.47	\$	0.44	\$	1.38	\$	1.26
Supplemental dividends		0.20				0.55		
Total	\$	0.67	\$	0.44	\$	1.93	\$	1.26
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED</b>		37,144,693		31,578,742		35,558,266		28,615,877

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	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	Noncontrolling Interest	Total Net Assets Including Noncontrolling Interest
<b>Balances at December 31, 2011</b>	26,714,384	\$ 267	\$ 360,164	\$ 12,531	\$ (20,445)	\$ 53,194	\$ 405,711	\$ 5,477	\$ 411,188
Public offering of common stock, net of offering costs	4,312,500	43	92,950				92,993		92,993
MSC II noncontrolling interest acquisition	229,634	2	5,328				5,330	(5,417)	(87)
Adjustment to investment in Investment Manager related to MSC II noncontrolling interest acquisition			(1,616)				(1,616)		(1,616)
Share-based compensation			1,860				1,860		1,860
Purchase of vested stock for employee payroll tax withholding	(40,549)		(1,012)				(1,012)		(1,012)
Dividend reinvestment	264,331	2	6,468				6,471		6,471
Issuance of restricted stock	139,033	1	(1)						
Distributions to noncontrolling interest								(114)	(114)
Dividends to stockholders				(22,439)	(14,048)		(36,487)		(36,487)
Net increase resulting from operations				41,197	5,335	33,426	79,958		79,958
Noncontrolling interest						(54)	(54)	54	
<b>Balances at September 30, 2012</b>	31,619,333	\$ 315	\$ 464,141	\$ 31,289	\$ (29,158)	\$ 86,566	\$ 553,154	\$	\$ 553,154
<b>Balances at December 31, 2012</b>	34,589,484	\$ 346	\$ 544,136	\$ 35,869	\$ (19,155)	\$ 81,780	\$ 642,976	\$	\$ 642,976
Public offering of common stock, net of offering costs	4,600,000	46	131,407				131,453		131,453
Share-based compensation			3,357				3,357		3,357
Purchase of vested stock for employee payroll tax withholding	(62,025)	(1)	(1,764)				(1,765)		(1,765)
Dividend reinvestment	278,166	3	8,727				8,730		8,730
Other			69				69		69
Issuance of restricted stock	274,895	3	(3)						
Consolidation of Investment Manager			2,037				2,037		2,037
Issuances of common stock	18,125		578				578		578
Dividends to stockholders				(65,748)	(3,199)		(68,947)		(68,947)
				47,818	(2,594)	30,464	75,688		75,688

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Net increase resulting from operations

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<b>Balances at September 30, 2013</b>	39,698,645	\$	397	\$	688,544	\$	17,939	\$	(24,948)	\$	112,244	\$	794,176	\$	794,176
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The accompanying notes are an integral part of these financial statements



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**Supplemental cash flow disclosures:**

Interest Paid	\$	15,558	\$	13,953
Taxes paid	\$	4,803	\$	561
<b>Non-cash financing activities:</b>				
Shares issued pursuant to the DRIP	\$	8,730	\$	6,471

The accompanying notes are an integral part of these financial statements

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

**September 30, 2013**

**(in thousands)**

**(Unaudited)**

**Control Investments (5)**

<b>Bond-Coat, Inc.</b>	Casing and Tubing Coating Services	12% Secured Debt (Maturity - December 28, 2017)	14,750	14,573	14,750
		Common Stock (Fully diluted 42.9%)		6,220	7,750
				20,793	22,500
<b>California Healthcare Medical Billing, Inc.</b>	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity - October 17, 2015)	8,103	7,958	8,094
		Warrants (Fully diluted 21.3%)		1,193	3,380
		Common Stock (Fully diluted 9.8%)		1,177	1,560
				10,328	13,034
<b>Ceres Management, LLC (Lambs Tire &amp; Automotive)</b>	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity - May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative) (8)		3,437	3,437
		Member Units (Fully diluted 100.0%)		5,273	1,000
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,029	1,029	1,029
				625	1,130

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	Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)		14,364	10,596
<b>Gulf Manufacturing, LLC</b>	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	12,660
			3,899	13,579

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<b>Hawthorne Customs and Dispatch Services, LLC</b>	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	1,890	
			1,804	2,330	
<b>Impact Telecom, Inc.</b>	Telecommunications Services	LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - May 31, 2018) (9)	2,500	2,493	2,493
		13% Secured Debt (Maturity - May 31, 2018)	22,500	14,454	14,454
		Warrants (Fully diluted 40.0%)		8,000	8,000
				24,947	24,947
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (9)	1,548	1,548	1,548
		13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)	1,607	1,607	1,607
		Member Units (Fully diluted 60.8%) (8)		811	3,720
				3,966	6,875
<b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b>	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity - December 28, 2017)	10,250	10,068	10,068
		Preferred Stock (Fully diluted 26.7%)		3,750	3,750
				13,818	13,818

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<b>Mid-Columbia Lumber Products, LLC</b>	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)	983	983	983
		Member Units (Fully diluted 54.0%)		1,132	5,290
		Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (8)		250	440
				8,015	12,363
<b>NRI Clinical Research, LLC</b>	Clinical Research Center	14% Secured Debt (Maturity - September 8, 2016)	4,520	4,335	4,335
		Warrants (Fully diluted 12.5%) (8)		252	480
		Member Units (Fully diluted 24.8%) (8)		500	960
				5,087	5,775
<b>OMi Holdings, Inc.</b>	Manufacturer of Overhead Cranes	Common Stock (Fully diluted 48.0%)		1,080	11,270
<b>PPL RVs, Inc.</b>	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity - June 10, 2015)	8,010	7,971	8,010
		Common Stock (Fully diluted 51.1%)		2,150	6,810
				10,121	14,820



<b>River Aggregates, LLC</b>	Processor of Construction Aggregates				
		12% Secured Debt (Maturity - June 30, 2018) (14)	500	500	500
		Zero Coupon Secured Debt (Maturity - June 30, 2018) (14)	750	413	413
		Member Units (Fully diluted 38.3%)		1,150	
		Member Units (RA Properties, LLC) (Fully diluted 50.0%)		269	269
				2,332	1,182

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<b>Southern RV, LLC</b>	Recreational Vehicle Dealer	13% Secured Debt (Maturity - August 8, 2018)	11,400	11,233	11,233
		Member Units (Fully diluted 50.2%)		1,680	1,680
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity - August 8, 2018)	3,250	3,202	3,202
		Member Units (Southern RV Real Estate, LLC) (Fully diluted 55.69%)		480	480
				16,595	16,595
<b>Thermal and Mechanical Equipment, LLC</b>					
<b>Thermal and Mechanical Equipment, LLC</b>	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (9)	818	817	818
		13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)	2,607	2,595	2,607
		Member Units (Fully diluted 52.6%) (8)		1,000	10,080
				4,412	13,505
<b>Uvalco Supply, LLC</b>					
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%) (8)		1,113	3,230

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<b>Vision Interests, Inc.</b>	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity - December 23, 2016)	3,204	3,155	3,155
		Series A Preferred Stock (Fully diluted 50.9%)		3,000	1,510
		Common Stock (Fully diluted 19.1%)		3,706	
				9,861	4,665
<b>Subtotal Control Investments (29.8% of total investments at fair value)</b>				275,407	349,581

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

**September 30, 2013**

**(in thousands)**

**(Unaudited)**

**Affiliate Investments (6)**

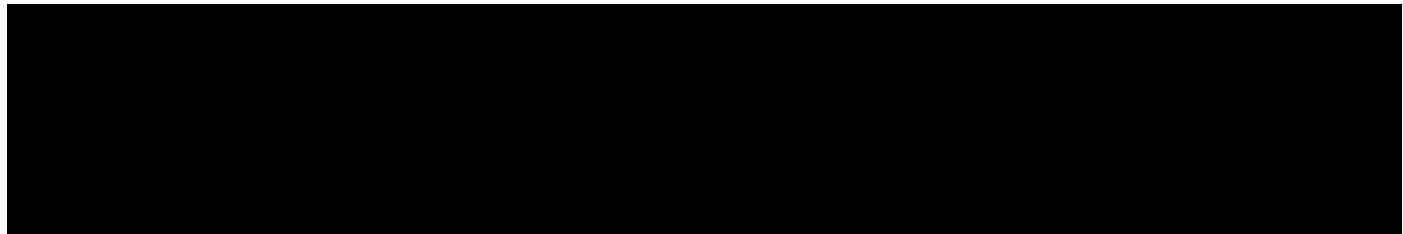
<b>Bridge Capital Solutions Corporation</b>					
	Financial Services and Cash Flow Solutions				
		13% Secured Debt (Maturity - April 17, 2017)	5,000	4,787	4,787
		Warrants (Fully diluted 7.5%)		200	530
				4,987	5,317
<b>Congruent Credit Opportunities Fund II, LP (12) (13)</b>					
	Investment Partnership				
		LP Interests (Fully diluted 19.8%) (8)		24,675	25,309
<b>Dos Rios Partners (12) (13)</b>					
	Investment Partnership				
		LP Interests (Dos Rios Partners, LP) (Fully diluted 27.69%)		1,105	1,105
		LP Interests (Dos Rios Partners - A, LP) (Fully diluted 9.14%)		220	220
				1,325	1,325
<b>Freeport Financial SBIC Fund LP (12) (13)</b>					
	Investment Partnership				
		LP Interests (Fully diluted 9.9%)		297	297



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<b>GP Investment Holdings, LLC</b>	Cloud Managed Video Collaboration Services	Common Stock (Fully diluted 21.5%)	3,800	10,235
<b>Indianhead Pipeline Services, LLC</b>	Pipeline Support Services	12% Secured Debt (Maturity - February 6, 2017)	8,025	7,586
		Preferred Equity (8% cumulative) (8)		1,791
		Warrants (Fully diluted 10.6%)		459
		Member Units (Fully diluted 12.1%) (8)		1
			9,837	11,736
<b>irth Solutions, LLC</b>	Damage Prevention Technology Information Services	Member Units (Fully diluted 12.8%) (8)	624	2,550
<b>OnAsset Intelligence, Inc.</b>	Transportation Monitoring / Tracking Services	12% PIK Secured Debt (Maturity - June 30, 2014)	2,113	1,465
		Preferred Stock (7% cumulative) (Fully diluted 3.9%) (8)		1,783
		Warrants (Fully diluted 11.9%)		1,707
			4,955	4,325
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems	12% Current / 4% PIK Secured Debt (Maturity - December 18, 2017)	4,654	4,574
		Preferred Stock (20% cumulative) (Fully diluted 19.4%) (8)		1,756
			6,330	7,794



<b>Radial Drilling Services Inc.</b>	Oil and Gas Technology	12% Secured Debt (Maturity - November 23, 2016) Warrants (Fully diluted 24.0%)	4,200	3,588 758 4,346	3,588 290 3,878
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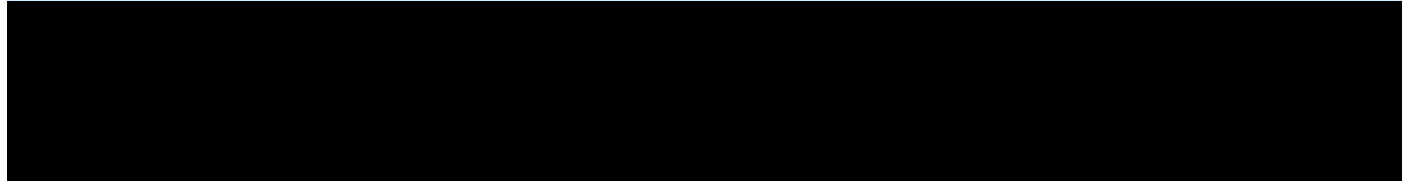


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<b>Spectrio LLC</b>	Audio Messaging Services	8% Secured Debt (Maturity - June 16, 2016)	280	280	280
		12% Secured Debt (Maturity - June 16, 2016)	17,794	17,444	17,767
		Warrants (Fully diluted 9.8%)		887	3,700
				18,611	21,747
<b>Texas Reexcavation LC</b>	Hydro Excavation Services	12% Current / 3% PIK Secured Debt (Maturity - December 31, 2017)	6,138	6,031	6,031
		Class A Member Units (Fully diluted 16.3%)		2,900	3,270
				8,931	9,301



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

**September 30, 2013**

**(in thousands)**

**(Unaudited)**

**Non-Control/Non-Affiliate Investments (7)**

<b>Allflex Holdings III Inc. (11)</b>	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00%, Current Coupon 8.00%, Secured Debt (Maturity - July 18, 2021) (9)	5,000	4,951	5,079
<b>AM3 Pinnacle Corporation (10)</b>	Provider of Comprehensive Internet, TV and Voice Services for Multi-Dwelling Unit Properties	Common Stock (Fully diluted 3.2%)		2,000	2,000
<b>Ameritech College Operations, LLC</b>	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity - March 9, 2017)	6,050	5,955	6,050

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<b>Ancile Solutions, Inc. (11)</b>	Provider of eLearning Solutions	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - July 15, 2018) (9)	5,000	4,952	4,988
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<b>Artel, LLC (11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)	4,813	4,771	4,788
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<b>B. J. Alan Company</b>	Retailer and Distributor of Consumer Fireworks	12.5% Current / 2.5% PIK Secured Debt (Maturity - June 22, 2017)	11,164	11,083	11,083
<b>Blackboard, Inc. (11)</b>	Education Software Provider	LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - April 4, 2019) (9)	2,000	1,863	2,060
<b>Brand Connections, LLC</b>	Venue-Based Marketing and Media	12% Secured Debt (Maturity - April 30, 2015)	7,263	7,167	7,263
<b>Calloway Laboratories, Inc. (10)</b>	Health Care Testing Facilities	12.00% PIK Secured Debt (Maturity - September 30, 2014) Warrants (Fully diluted 1.5%)	6,207	6,136 17 6,153	5,236 5,236
<b>Cedar Bay Generation Company LP (11)</b>	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 23, 2020) (9)	8,351	8,272	8,435

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<b>CHI Overhead Doors, Inc. (11)</b>	Manufacturer of Overhead Garage Doors	LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - September 18, 2019) (9)	2,500	2,461	2,513
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<b>Compact Power Equipment Centers Inc.</b>	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - October 1, 2017)	3,858	3,841	3,841
		Series A Stock (8% cumulative) (Fully diluted 4.2%) (8)		979	1,767
				4,820	5,608
<b>CGSC of Delaware Holdings Corp. (11)</b>	Insurance Brokerage Firm	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - October 16, 2020) (9)	2,000	1,971	1,980
<b>CST Industries Inc. (11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	11,875	11,737	11,845
<b>EB Sports Corp. (10)</b>	Sporting Goods Manufacturer	11.50% Secured Debt (Maturity - December 31, 2015)	10,000	10,000	9,975
<b>EnCap Energy Fund Investments (12) (13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)		2,570	2,687
		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%)		460	460

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		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)	2,508	2,508
			6,730	6,956
<b>Fender Musical Instruments Corporation (11)</b>	Manufacturer of Musical Instruments	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - April 3, 2019) (9)	481	477
				484

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<b>FC Operating, LLC (10)</b>	Christian Specialty Retail Stores	LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity - November 14, 2017) (9)	5,700	5,602	5,700
<b>Fram Group Holdings, Inc. (11)</b>	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (9)	964	961	949
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (9)	1,000	996 1,957	972 1,921
<b>Grupo Hima San Pablo, Inc. (11)</b>	Tertiary Care Hospitals	LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - January 31, 2018) (9)	4,975	4,885	4,726
		13.75 Secured Debt (Maturity - July 31, 2018) (9)	2,000	1,907 6,792	1,900 6,626
<b>Healogics, Inc. (11)</b>	Wound Care Management	Common Equity (Fully diluted 0.02%) (8)		50	50
<b>iEnergizer Limited (11) (13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - May 1, 2019) (9)	6,825	6,707	6,790

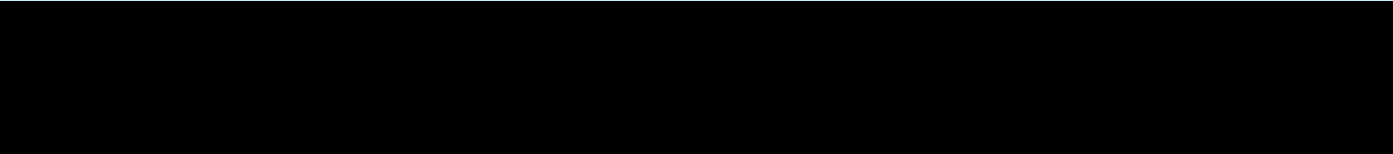
<b>Ivy Hill Middle Market Credit Fund III, Ltd. (12) (13)</b>				
Investment Partnership				
	LIBOR Plus 6.50%, Current Coupon 6.78%, Secured Debt (Maturity - January 15, 2022)	2,000	1,698	2,000



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<b>Joernes Healthcare, LLC (11)</b>	Health Care Equipment & Supplies	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - March 28, 2018) (9)	6,468	6,408	6,306
<b>Larchmont Resources, LLC (11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 7.25%, Current Coupon 8.50%, Secured Debt (Maturity - August 7, 2019) (9)	6,983	6,914	6,990
<b>LKCM Headwater Investments I, L.P. (12) (13)</b>	Investment Partnership	LP Interests (Fully diluted 2.27%) (8)		925	2,330
<b>Media Holdings, LLC (11) (13)</b>	Internet Traffic Generator	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 27, 2014) (9)	5,000	5,564	5,576
<b>Medpace Intermediateco, Inc. (11)</b>	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 19, 2017) (9)	3,626	3,589	3,640
<b>Metal Services LLC (11)</b>	Steel Mill Services	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2017) (9)	4,963	4,879	5,006

				
<b>Miramax Film NY, LLC (11)</b>	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)	500	801

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<b>Modern VideoFilm, Inc. (10)</b>	Post-Production Film Studio	LIBOR Plus 3.50% Current / 8.50% PIK, Current Coupon Plus PIK 13.50%, Secured Debt (Maturity - December 19, 2017) (9) Warrants (Fully diluted 2.5%)	5,281	5,076 151 5,227	4,712 1 4,713
<b>NCP Investment Holdings, Inc.</b>	Management of Outpatient Cardiac Cath Labs	Class A and C Units (Fully diluted 3.3%)		20	2,960
<b>NGPL PipeCo, LLC (11)</b>	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	9,918	9,762	8,893
<b>North American Breweries Holdings, LLC (11)</b>	Operator of Specialty Breweries	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - December 11, 2018) (9)	3,980	3,909	4,010
<b>Nuverra Environmental Solutions, Inc. (11) (13)</b>	Water Treatment and Disposal Services	9.88% Unsecured Bond (Maturity - April 15, 2018)	3,500	3,500	3,553

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<b>Ospemifene Royalty Sub LLC (QuatRx) (10)</b>	Estrogen-Deficiency Drug Manufacturer and Distributor	11.50% Secured Debt (Maturity - November 15, 2026)	5,000	5,000	5,000
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<b>Permian Holdings, Inc. (11)</b>	Storage Tank Manufacturer	10.50% Secured Bond (Maturity - January 15, 2018)	3,500	3,461	3,413
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<b>Philadelphia Energy Solutions Refining and Marketing LLC (11)</b>	Oil & Gas Refiner	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 4, 2018) (9)	2,993	2,951	2,663
<b>Primesight Limited (10) (13)</b>	Outdoor Advertising Operator	11.25% Secured Debt (Maturity - October 17, 2015)	7,479	7,479	7,771
<b>Relativity Media, LLC (10)</b>	Full-scale Film and Television Production and Distribution	10.00% Secured Debt (Maturity - May 24, 2015) 15.00% PIK Secured Debt (Maturity - May 24, 2015) Class A Units (Fully diluted 0.2%)	4,787 6,132	4,731 5,928 292 10,951	4,787 6,132 1,521 12,440
<b>SAExploration, Inc. (10) (13)</b>	Geophysical Services Provider	11.00% Current / 2.50% PIK Secured Debt (Maturity - November 28, 2016) Common Stock (Fully diluted 0.01%) (8)	8,063	8,168 65 8,233	8,063 59 8,122
<b>Sotera Defense Solutions, Inc. (11)</b>	Defense Industry Intelligence Services	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 22, 2017) (9)	8,753	8,469	8,096

<b>Sutherland Global Services, Inc. (11)</b>	Business Process Outsourcing Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - March 6, 2019) (9)	6,825	6,701	6,816
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<b>Targus Group International (11)</b>	Protective Cases for Mobile Devices	LIBOR Plus 9.50% Current / 1% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity - May 24, 2016) (9)	4,472	4,492	4,024
<b>TeleGuam Holdings, LLC (11)</b>	Cable and Telecommunications Services Provider	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 1, 2018) (9)	6,983	6,949	6,983
		LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - June 1, 2019) (9)	2,500	2,476 9,425	2,513 9,496
<b>The Tennis Channel, Inc. (10)</b>	Television-Based Sports Broadcasting	Warrants (Fully diluted 0.1%)		235	280
<b>ThermaSys Corporation (11)</b>	Manufacturer of Industrial Heat Exchanges	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - May 3, 2019) (9)	6,000	5,944	5,993
<b>Totes Isotoner Corporation (11)</b>	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,532	4,479	4,553

<b>Universal Fiber Systems, LLC (10)</b>	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - June 26, 2015) (9)	10,521	10,460	10,573



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<b>Vantage Oncology, LLC (11)</b>	Outpatient Radiation Oncology Treatment Centers	9.50% Secured Bond (Maturity - June 15, 2017)	7,000	7,000	7,053
<b>Visant Corporation (11)</b>	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (9)	3,882	3,882	3,775
<b>Western Dental Services, Inc. (11)</b>	Dental Care Services	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - November 1, 2018) (9)	4,963	4,832	4,994
<b>Wilton Brands LLC (11)</b>	Specialty Housewares Retailer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	1,900	1,868	1,867
<b>Xerium Technologies, Inc. (11)</b>	Paper Production Equipment	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - May 17, 2019) (9)	1,995	1,986	2,017

<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions	12% Secured Debt (Maturity - June 15, 2017)	8,000	7,005	7,005
		Warrants (Fully diluted 2.7%)		1,071	1,071
				8,076	8,076
<b>Total Portfolio Investments, September 30, 2013</b>				1,014,557	1,152,407

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

September 30, 2013

(in thousands)

(Unaudited)

**Marketable Securities and Idle  
Funds Investments**

<b>Other Marketable Securities and Idle Funds Investments (13)</b>	21,195	19,963
<b>Subtotal Marketable Securities and Idle Funds Investments (1.7% of total investments at fair value)</b>	21,195	19,963
<b>Total Investments, September 30, 2013</b>	\$ 1,035,752	\$ 1,172,370

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.
- (2) Debt investments are generally 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.
- (15) Fully impaired and non-income producing investment.

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

**December 31, 2012**

**(in thousands)**

**(Unaudited)**

**Control Investments (5)**

<b>Café Brazil, LLC</b>	Casual Restaurant Group	12% Secured Debt (Maturity - April 20, 2013)	500	500	500
		Member Units (Fully diluted 41.0%) (8)		42	3,690
				542	4,190
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Training Certification Videos	14% Secured Debt (Maturity - December 31, 2013)	450	450	450
		Member Units (Fully diluted 41.6%) (8)		1,300	7,800
				1,750	8,250

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<b>Condit Exhibits, LLC</b>	Tradeshow Exhibits / Custom Displays	13% Current / 5% PIK Secured Debt			
		(Maturity - July 1, 2013)	4,661	4,652	4,652
		Warrants (Fully diluted 47.9%)		320	600
			4,972	5,252	

<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators	9% Secured Debt (Maturity - June 4, 2015)	5,024	4,644	5,024
		Preferred Stock (8% cumulative) (8)		1,081	1,081
		Common Stock (Fully diluted 34.5%) (8)		718	1,550
				6,443	7,655

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<b>Hydratec, Inc.</b>	Designer and Installer of Micro-Irrigation Systems	Common Stock (Fully diluted 94.2%) (8)	7,095	13,710
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (9)	1,696	1,696
		13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)	1,759	1,759
		Member Units (Fully diluted 60.8%) (8)	811	2,060
			4,266	5,515
<b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b>	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity - December 28, 2017)	10,250	10,045
		Preferred Stock (Fully diluted 26.7%)	3,750	3,750
			13,795	13,795
<b>NAPCO Precast, LLC</b>	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2016) (9)	3,385	3,334
			5,173	5,093

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		18% Secured Debt (Maturity - February 1, 2016)		2,975	4,360
		Member Units (Fully diluted 44.0%)		11,402	12,787
<b>NRP Jones, LLC</b>	Manufacturer of Hoses, Fittings and Assemblies				
		12% Secured Debt (Maturity - December 22, 2016)	12,100	11,200	11,891
		Warrants (Fully diluted 12.2%)		817	1,350
		Member Units (Fully diluted 43.2%) (8)		2,900	4,800
				14,917	18,041

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<b>Pegasus Research Group, LLC (Televerde)</b>	Telemarketing and Data Services	13% Current / 5% PIK Secured Debt (Maturity - January 6, 2016)	4,991	4,946	4,991
		Member Units (Fully diluted 43.7%) (8)		1,250	3,790
				6,196	8,781
<b>Principle Environmental, LLC</b>	Noise Abatement Services	12% Secured Debt (Maturity - February 1, 2016)	4,750	3,945	4,750
		12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016)	3,594	3,539	3,594
		Warrants (Fully diluted 14.2%)		1,200	3,860
		Member Units (Fully diluted 22.6%)		1,863	6,150
				10,547	18,354
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013)	1,079	1,077	1,077
		6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013)	5,639	5,588	5,588
		Warrants (Fully diluted 52.3%)		1,096	
				7,761	6,665
<b>Uvalco Supply, LLC</b>					



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	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%) (8)		1,113	2,760
<b>Vision Interests, Inc.</b>	Manufacturer / Installer of Commercial Signage	6.5% Current /6.5% PIK Secured Debt (Maturity - December 23, 2016)	3,204	3,146	3,146
		Series A Preferred Stock (Fully diluted 50.9%)		3,000	2,930
		Common Stock (Fully diluted 19.1%)		3,706	110
				9,852	6,186
<b>Subtotal Control Investments (29.2% of total investments at fair value)</b>				217,483	278,475

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

**December 31, 2012**

**(in thousands)**

**(Unaudited)**

**Affiliate Investments (6)**

<b>Bridge Capital Solutions Corporation</b>	Financial Services and Cash Flow Solutions	13% Secured Debt (Maturity - April 17, 2017)	5,000	4,754	4,754
		Warrants (Fully diluted 7.5%)		200	310
				4,954	5,064
<b>Daseke, Inc.</b>	Specialty Transportation Provider	Common Stock (Fully diluted 12.6%)		1,427	7,310
<b>Gault Financial, LLC (RMB Capital, LLC)</b>	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity - November 21, 2016)	9,828	9,348	9,348
		Warrants (Fully diluted 22.5%)		400	240
				9,748	9,588
<b>Indianhead Pipeline Services, LLC</b>	Pipeline Support Services	12% Secured Debt (Maturity - February 6, 2017)	8,725	8,186	8,186
		Preferred Equity (Fully diluted 8.0%) (8)		1,676	1,676
		Warrants (Fully diluted 10.6%)		459	1,490
		Member Units (Fully diluted 4.1%) (8)		1	50
				10,322	11,402

<b>irth Solutions, LLC</b>	Damage Prevention Technology Information Services	12% Secured Debt (Maturity - December 29, 2015)	3,587	3,543	3,587
		Member Units (Fully diluted 12.8%) (8)		624	2,750
				4,167	6,337

<b>Olympus Building Services, Inc.</b>	Custodial / Facilities Services	12% Secured Debt (Maturity - March 27, 2014)	3,050	2,975	2,975
		12% Current / 3% PIK Secured Debt (Maturity - March 27, 2014)	1,014	1,014	1,014
		Warrants (Fully diluted 22.5%)		470	470
				4,459	4,459

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<b>OnAsset Intelligence, Inc.</b>	Transportation Monitoring / Tracking Services	12% Secured Debt (Maturity - April 18, 2013)	1,500	1,500	1,500
		Preferred Stock (7% cumulative) (Fully diluted 5.8%) (8)		1,692	2,440
		Warrants (Fully diluted 4.0%)		830	550
				4,022	4,490
<b>PCI Holding Company, Inc.</b>	Manufacturer of Industrial Gas Generating Systems	12% Current / 4% PIK Secured Debt (Maturity - December 18, 2017)	5,008	4,909	4,909
		Preferred Stock (20% cumulative) (Fully diluted 19.4%) (8)		1,511	1,511
				6,420	6,420
<b>Samba Holdings, Inc.</b>	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity - November 17, 2016)	11,923	11,754	11,923
		Common Stock (Fully diluted 19.4%)		1,707	3,670
				13,461	15,593
<b>SYNEO, LLC</b>	Manufacturer of Specialty Cutting Tools and Punches	12% Secured Debt (Maturity - July 13, 2016)	4,300	4,218	4,218
		10% Secured Debt (Leadrock Properties, LLC) (Maturity - May 4, 2026)	1,440	1,413	1,413
		Member Units (Fully diluted 11.1%)		1,000	1,000
				6,631	6,631



<b>Subtotal Affiliate Investments (18.7% of total investments at fair value)</b>	142,607	178,413
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**MAIN STREET CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2012**

**(in thousands)**

**(Unaudited)**

**Non-Control/Non-Affiliate Investments (7)**

<b>Ameritech College Operations, LLC</b>	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity - March 9, 2017)	6,050	5,942	6,050
<b>Artel, LLC (11)</b>	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)	5,000	4,951	4,950
<b>Audio Visual Services Group, Inc. (11)</b>	Hotel & Venue Audio Visual Operator	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - November 9, 2018) (9)	5,000	4,901	4,919
		LIBOR Plus 9.50%, Current Coupon 10.75%, Secured Debt (Maturity - May 9, 2019) (9)	5,000	4,901 9,802	4,938 9,857

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<b>Blackboard, Inc. (11)</b>	Education Software Provider	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - October 4, 2018) (9)	1,361	1,319	1,379
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - April 4, 2019) (9)	2,000	1,852 3,171	1,927 3,306

<b>Brasa Holdings Inc. (11)</b>	Upscale Full Service Restaurants	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - July 18, 2019) (9)	3,491	3,395	3,525
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - January 19, 2020) (9)	2,000	1,927 5,322	2,030 5,555

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<b>Calloway Laboratories, Inc. (10)</b>	Health Care Testing Facilities	10.00% Current / 2.00% PIK Secured Debt (Maturity - September 30, 2014)	5,479	5,361	5,479
<b>CHI Overhead Doors, Inc. (11)</b>	Manufacturer of Overhead Garage Doors	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (9)	2,410	2,371	2,421
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (9)	2,500	2,457 4,828	2,463 4,884
<b>Compact Power Equipment Centers Inc.</b>	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - October 1, 2017)	3,687	3,669	3,669
		Series A Stock (8% cumulative) (Fully diluted 4.2%) (8)		923 4,592	1,232 4,901
<b>Connolly Holdings Inc. (11)</b>	Audit Recovery Software	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - July 15, 2018) (9)	2,488	2,464	2,519
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - January 15, 2019) (9)	2,000	1,962 4,426	2,050 4,569
<b>CST Industries (11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	12,188	12,022	12,110



**Drilling Info, Inc.**

Information Services  
for the Oil and Gas  
Industry

Common Stock (Fully diluted 2.3%)

1,335

5,769

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<b>Dycom Investments, Inc. (11) (13)</b>	Telecomm Construction & Engineering Providers	7.13% Bond (Maturity - January 15, 2021)	1,000	1,042	1,053
<b>Engility Corporation (11) (13)</b>	Defense Software	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 18, 2017) (9)	8,000	7,928	7,930
<b>EnCap Energy Fund Investments (12) (13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)		1,735	1,852
		LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.3%)		442	442
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)		664	664
				2,841	2,958
<b>FC Operating, LLC (10)</b>	Christian Specialty Retail Stores	LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity - November 14, 2017) (9)	6,000	5,883	5,916
<b>Flexera Software LLC (11)</b>	Software Licensing	LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (9)	3,000	2,789	3,053



<b>GFA Brands, Inc. (11) (13)</b>	Distributor of Health Food Products	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - July 2, 2018) (9)	6,790	6,663	6,909
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<b>GMACM Borrower LLC (11)</b>	Mortgage Originator and Servicer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2015) (9)	1,000	987	1,011
<b>Hayden Acquisition, LLC</b>	Manufacturer of Utility Structures	8% Secured Debt (Maturity - January 1, 2013) (14)	1,800	1,781	
<b>Heckmann Corporation (11) (13)</b>	Water Treatment and Disposal Services	9.88% Bond (Maturity - April 15, 2018)	3,500	3,500	3,588
<b>Hudson Products Holdings, Inc. (11)</b>	Manufacturer of Heat Transfer Equipment	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - June 7, 2017) (9)	4,000	3,961	4,015
<b>Il Fornaio Corporation (11)</b>	Casual Restaurant Group	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (9)	1,822	1,815	1,836
<b>Ipreo Holdings LLC (11)</b>	Application Software for Capital Markets	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - August 5, 2017) (9)	5,688	5,610	5,723

<b>Ivy Hill Middle Market Credit Fund III, Ltd. (12) (13)</b>	Investment Partnership	LIBOR Plus 6.50%, Current Coupon 6.71%, Secured Debt (Maturity - January 15, 2022)	2,000	1,681	1,970
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<b>Kadmon Pharmaceuticals, LLC (10)</b>	Biopharmaceutical Products and Services	LIBOR Plus 13.00% / 12.00% PIK, Current Coupon with PIK 27.00%, Secured Debt (Maturity - April 30, 2013) (9)	6,056	6,056	6,056
<b>Maverick Healthcare Group LLC (10)</b>	Home Healthcare Products and Services	LIBOR Plus 9.00%, Current Coupon 10.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,900	4,900	4,992
<b>Medpace Intermediateco, Inc. (11)</b>	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 19, 2017) (9)	4,612	4,557	4,427
<b>Metals USA, Inc. (11) (13)</b>	Operator of Metal Service Centers	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - December 14, 2019) (9)	7,500	7,426	7,463
<b>Miramax Film NY, LLC (11)</b>	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	576
<b>Modern VideoFilm, Inc. (10)</b>	Post-Production Film Studio				

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LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - December 19, 2017) (9)	5,005	4,780	4,780
Warrants (Fully diluted 1.5%)		150	150
		4,930	4,930

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<b>National Healing Corporation (11)</b>	Wound Care Management	LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - November 30, 2018) (9) Common Equity (Fully diluted 0.02%)	1,500	1,422 50 1,472	1,545 50 1,595
<b>NCI Building Systems, Inc. (11)</b>	Non-Residential Building Products Manufacturer	LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - May 2, 2018) (9)	2,450	2,335	2,455
<b>NGPL PipeCo, LLC (11)</b>	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	8,679	8,548	8,901
<b>Northland Cable Television, Inc. (11)</b>	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,812	4,710	4,692
<b>Oneida Ltd. (11)</b>	Household Products Manufacturer	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - September 25, 2017) (9)	1,933	1,899	1,904



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<b>Peppermill Casinos, Inc. (11)</b>	Operator of Casinos and Gaming Operations	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 2, 2018) (9)	2,295	2,204	2,246
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<b>Physician Oncology Services, L.P. (11)</b>	Provider of Radiation Therapy and Oncology Services	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - January 31, 2017) (9)	942	935	904
<b>Preferred Proppants, LLC (11)</b>	Producer of Sand Based Proppants	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - December 15, 2016) (9)	5,942	5,823	5,526
<b>PRV Aerospace, LLC (11)</b>	Aircraft Equipment Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - May 9, 2018) (9)	5,972	5,917	5,987
<b>Relativity Media, LLC (10)</b>	Full-scale Film and Television Production and Distribution	10.00% Secured Debt (Maturity - May 24, 2015) 15.00% PIK Secured Debt (Maturity - May 24, 2015) Class A Units (Fully diluted 0.2%)	4,904 5,477	4,825 5,214 292 10,331	5,087 5,294 292 10,673
<b>Shale-Inland Holdings, LLC (11)</b>	Distributor of Pipe, Valves, and Fittings	8.75% Bond (Maturity - November 15, 2019)	3,000	3,000	3,143

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Sourcehov LLC (11)	Business Process Services				
		LIBOR Plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity - April 28, 2017) (9)	2,955	2,874	2,921
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - April 30, 2018) (9)	5,000	4,537	4,581
				7,411	7,502

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<b>Surgery Center Holdings, Inc. (11)</b>	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (9)	4,881	4,863	4,857
<b>Totes Isotoner Corporation (11)</b>	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,717	4,642	4,729
<b>UniTek Global Services, Inc. (11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - April 15, 2018) (9)	4,379	4,268	4,308
<b>US Xpress Enterprises, Inc. (11)</b>	Truckload Carrier	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - November 13, 2016) (9)	6,500	6,374	6,484
<b>VFH Parent LLC (11)</b>	Electronic Trading and Market Making	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - July 8, 2016) (9)	3,394	3,344	3,404
<b>Vision Solutions, Inc. (11)</b>	Provider of Information Availability Software				

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LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9)	2,506	2,325	2,340
LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (9)	5,000	4,962 7,287	4,875 7,215

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<b>Walter Investment Management Corp. (11) (13)</b>	Real Estate Services	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - November 28, 2017) (9)	2,469	2,444	2,484
<b>Wilton Brands LLC (11)</b>	Specialty Housewares Retailer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	1,975	1,937	2,000
<b>WP CPP Holdings, LLC (11)</b>	Manufacturer of Aerospace and Defense Components	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - December 28, 2019) (9)	4,000	3,960	4,020
<b>Subtotal Non-Control/Non-Affiliate Investments (49.1% of total investments at fair value)</b>			456,975	467,543	
<b>Total Portfolio Investments, December 31, 2012</b>			819,733	924,431	

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

**December 31, 2012**

**(in thousands)**

**(Unaudited)**

**Marketable Securities and Idle  
Funds Investments**

<b>Ceridian Corporation (13)</b>	LIBOR Plus 5.75%, Current Coupon 5.96%, Secured Debt (Maturity - May 9, 2017)	10,000	10,025	10,013
<b>First Data Corporation (13)</b>	LIBOR Plus 4.00%, Current Coupon 4.21%, Secured Debt (Maturity - March 23, 2018)	5,000	4,763	4,767
<b>Univision Communications Inc. (13)</b>	LIBOR Plus 4.25%, Current Coupon 4.46%, Secured Debt (Maturity - March 31, 2017)	5,000	4,934	4,927
<b>Subtotal Marketable Securities and Idle Funds Investments (3.0% of total investments at fair value)</b>			28,469	28,535
<b>Total Investments, December 31, 2012</b>			\$ 848,202	\$ 952,966

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted.
- (2) Debt investments are generally 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)

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

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

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

MSCC has direct 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. The Investment Manager is also a direct

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wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries and the Investment Manager 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 subsidiaries which include the Funds, the Taxable Subsidiaries and, beginning April 1, 2013, the 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 the three months ended March 31, 2013 and the three and nine months ended September 30, 2012, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries. Beginning April 1, 2013, and for all periods thereafter, Main Street's consolidated financial statements also include the balance sheet and income statement accounts and other information of the Investment Manager reflected as a consolidated subsidiary (see further discussion below). The Investment Portfolio, as used herein, refers to all of Main Street's LMM portfolio investments, Middle Market portfolio investments, Private Loan portfolio investments, Other Portfolio investments and, for all periods up to and including March 31, 2013, the investment in the 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 Manager (see Note C Fair Value Hierarchy for Investments and Debentures - Portfolio Investment Composition for additional discussion of Main

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Street's Investment Portfolio composition 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 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 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 for the three and nine months ended September 30, 2013 and 2012, cash flows for the nine months ended September 30, 2013 and 2012, and financial position as of September 30, 2013 and December 31, 2012, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current presentation, including certain investments previously included as part of the LMM portfolio or Middle Market portfolio that are now classified as part of the Private Loan portfolio and the reclassification of Investment Portfolio and Marketable securities and idle funds investment related activity from cash flows from investing activities to cash flows from operating activities.

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and nine months ended September 30, 2013 and 2012 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012. 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 an investment company of Main Street. None of the portfolio investments made by Main Street qualify for this exception, except as discussed below with respect to the 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 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 Investment Manager). The Investment Manager was consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013 as the controlled operating subsidiary was 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. The line item on Main Street's Consolidated Balance Sheets entitled Investment in affiliated Investment Manager represents Main Street's investment in the Investment Manager that was accounted for as a part of the Investment Portfolio through the period ended March 31, 2013. As discussed further above, the Investment Manager was

consolidated beginning April 1, 2013 and is no longer accounted for as a part of the Investment Portfolio.

**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*

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*and Disclosures* ( ASC 820 ). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market participants, 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 typically 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. Main Street's portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. All of 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 policy and process 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. For Middle Market portfolio investments, Main Street primarily uses observable inputs such as quoted prices in the valuation process. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, Main Street generally uses a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments.

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



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For valuation purposes, non-control LMM 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. Market quotations are generally not readily available for non-control LMM portfolio investments. For non-control LMM portfolio investments, Main Street typically uses a combination of the market and income approaches to value its equity investments and the income approach to value its debt investments similar to the approaches used for our control LMM portfolio investments and which includes using a yield-to-maturity approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Main Street's estimate of the expected repayment date of a LMM debt security is generally the legal maturity date of the instrument, as Main Street generally intends to hold its LMM 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 face amount of the LMM debt security. A change in the assumptions that Main Street uses to estimate the fair value of its LMM debt securities using the yield-to-maturity analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a LMM debt security is in workout status, Main Street may consider other factors in determining the fair value of the LMM debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on its investments in each LMM portfolio company once a quarter. 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 advisor. 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 44 portfolio companies for the nine months ended September 30, 2013, representing approximately 66% of the total LMM portfolio at fair value as of September 30, 2013 and on a total of 36 portfolio companies for the nine months ended September 30, 2012, representing approximately 63% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of September 30, 2012.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments for which Main Street does not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Main Street primarily uses observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing, to the extent such sufficient observable inputs are available to determine fair value. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, Main Street generally uses a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments.

For valuation purposes, all of Main Street's Private Loan portfolio investments are non-control investments 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. As sufficient observable inputs to determine the fair value of these Private Loan portfolio investments through obtaining third party pricing or other independent pricing are not generally available, Main Street generally uses a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments.

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For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments for which Main Street generally does not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Main Street's Other Portfolio investments comprised 3.3% and 2.6%, respectively, of Main Street's Investment Portfolio at fair value as of September 30, 2013 and December 31, 2012. 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 determines the fair value based on the fair value of the portfolio company as determined by independent third parties and based on Main Street's proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Other Portfolio debt investments with observable inputs, Main Street determines the fair value of these investments through obtaining third party quotes or other independent pricing, to the extent sufficient observable inputs are available to determine fair value. To the extent such observable inputs are not available, Main Street values these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments.



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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 consistent with the 1940 Act requirements. Main Street believes its Investment Portfolio as of September 30, 2013 and December 31, 2012 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 portfolio investment 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 September 30, 2013, cash balances totaling \$15.4 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 investments in intermediate-term secured debt and independently rated debt investments. See the Consolidated Schedule of Investments for more information on Marketable securities and idle funds investments.

**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 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.

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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 September 30, 2013 and 2012, (i) approximately 3.9% and 4.5%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.8% and 0.4%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash. For the nine months ended September 30, 2013 and 2012, (i) approximately 4.2% and 3.9%, 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 0.3%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of September 30, 2013, Main Street had one investment with positive fair value on non-accrual status, which comprised approximately 0.1% of the total Investment Portfolio at fair value and, together with another fully impaired investment, comprised approximately 0.4% of the total Investment Portfolio at cost. As of December 31, 2012, Main Street had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total Investment Portfolio at cost, excluding the investment in the affiliated Investment Manager.

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:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(dollars in thousands)</b>		<b>(dollars in thousands)</b>	
<b>Interest, fee and dividend income:</b>				
Interest income	\$ 24,736	\$ 18,982	\$ 69,081	\$ 52,648
Fee income	1,198	1,438	4,002	4,195
Dividend income	3,333	2,424	8,948	5,913
<b>Total interest, fee and dividend income</b>	<b>\$ 29,267</b>	<b>\$ 22,844</b>	<b>\$ 82,031</b>	<b>\$ 62,756</b>

### **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).

Deferred financing costs also include commitment fees and other costs related to our 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.

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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 the interest income. For the three months ended September 30, 2013 and 2012, approximately 3.7% and 4.0%, 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. For the nine months ended September 30, 2013 and 2012, approximately 3.3% and 3.8%, respectively, of Main Street's total investment income was attributable to interest income for 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 prior year.

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The Taxable Subsidiaries hold certain portfolio investments of Main Street. The Taxable Subsidiaries are consolidated for U.S. GAAP reporting purposes, and the portfolio investments held by them are included in the consolidated financial statements. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes 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 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, may generate income tax expense or benefit. The Investment Manager permits Main Street to receive third party fees and continue to comply with the source income requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences, as well as permanent differences. Through March 31, 2013, the Investment Manager provided for any income tax expense, or benefit, and any tax assets and liabilities in its separate financial statements. Beginning April 1, 2013, the 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 and liabilities are reflected in Main Street's consolidated financial statements.

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The Taxable Subsidiaries and the 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 valued 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**

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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 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.

As a result of the Exchange Offer which left a minority portion of MSC II's equity interests owned by certain non-Main Street entities for the periods prior to March 31, 2012, the net earnings of MSC II attributable to the remaining noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II for the periods prior to March 31, 2012. During the first quarter of 2012, MSCC completed the Final MSC II Exchange to acquire all of the minority portion of MSC II's equity interests not already owned by MSCC. The impact of the noncontrolling interests in MSC II for the three months ended March 31, 2012 is insignificant and has no impact on the reported per share results for the three months ended March 31, 2012 or any other period presented. As a result of the Final MSC II Exchange, subsequent to March 31, 2012, the non-controlling interest in MSC II no longer exists.



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**13. Recently Issued Accounting Standards**

In January 2013, the Financial Accounting Standards Board issued Accounting Standards Update ( ASU ) 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ( ASU 2013-01 ). ASU 2013-01 limits the scope of the new balance sheet offsetting disclosure requirements to derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and certain securities borrowing and lending arrangements. Public companies are required to apply ASU 2013-01 prospectively for interim and annual reporting periods beginning after January 1, 2013.

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update ( 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.

In February 2013, the Financial Accounting Standards Board 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 ( 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.

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).

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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.

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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 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 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain investments.

As of September 30, 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 September 30, 2013, except for the one publicly traded equity security which was categorized as Level 2. As of December 31, 2012, all of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of December 31, 2012.

As of September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012. 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 September 30, 2013 and December 31, 2012.

As of September 30, 2013 and December 31, 2012, 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 our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our 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 September 30, 2013 and December 31, 2012.

As of September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012.

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As of September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012.

As of September 30, 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 September 30, 2013. As of December 31, 2012, Main Street's Marketable securities and idle funds investments consisted primarily of investments in secured and unsecured 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. As a result, all of Main Street's Marketable securities and idle funds investments were categorized as Level 2 as of December 31, 2012.

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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;
  
- 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;

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- 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 not applicable), 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.

The following table provides a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of September 30, 2013:

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Type of Investment	Fair Value as of September 30, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (3)	Weighted Average (3)
Equity investments	\$ 290,938	Discounted cash flow Market comparable / Enterprise Value	Weighted average cost of capital EBITDA multiple (1)	11.0% - 18.3% 4.1x - 6.9x (2)	14.6% 5.6x
Debt investments	\$ 736,069	Discounted cash flow	Risk adjusted discount factor	4.3% - 24.1% (2) 0.0% - 100.0%	14.4% 99.2%
Total Level 3 investments	\$ 1,027,007		Adjustment factors		

(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 - 9.0x and the range for risk adjusted discount factor is 4.3% - 90.3%.

(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, 2012:

Type of Investment	Fair Value as of December 31, 2012 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range (3)	Weighted Average (3)
Equity investments	\$ 220,359	Discounted cash flow Market comparable / Enterprise Value	Weighted average cost of capital EBITDA multiple (1)	11.0% - 19.0% 4.0x - 7.0x (2)	14.9% 5.7x
Debt investments	\$ 477,272	Discounted cash flow	Risk adjusted discount factor	9.2% - 16.0% (2) 0.0% - 100.0%	13.3% 99.5%
Total Level 3 investments	\$ 697,631		Adjustment factors		

(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 - 14.0x and the range for risk adjusted discount factor is 4.3% - 20.5%.

(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 nine months ended September 30, 2013 (amounts in thousands):

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Type of Investment	Fair Value as of December 31, 2012	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other	Fair Value as of September 30, 2013
Debt	\$ 477,272	\$ 4,992	\$ (162,560)	\$ 415,068	\$ 841	\$ (2,007)	\$ 2,463	\$ 736,069
Equity	191,764		16	33,713	4	24,521	1,839	251,857
Equity Warrant	28,595		(1,051)	8,946	(470)	4,694	(1,633)	39,081
	\$ 697,631	\$ 4,992	\$ (163,595)	\$ 457,727	\$ 375	\$ 27,208	\$ 2,669	\$ 1,027,007

As of September 30, 2013 and December 31, 2012, 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 September 30, 2013 (amounts in thousands):



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Type of Instrument	Fair Value as of September 30, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	\$ 62,259	Discounted cash flow	Estimated market interest rates	7.9% - 9.8%	8.6%

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, 2012 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2012 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	\$ 86,467	Discounted cash flow	Estimated market interest rates	7.1% - 9.0%	8.0%

The following table provides a summary of changes for the Level 3 SBIC debentures recorded at fair value for the nine months ended September 30, 2013 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2012	Repayments	Net Realized Loss	New SBIC Debentures	Unrealized (Appreciation) Depreciation	Fair Value as of September 30, 2013
SBIC Debentures at fair value	\$ 86,467	\$ (24,800)	\$ 4,775	\$	\$ (4,183)	\$ 62,259

At September 30, 2013 and December 31, 2012, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

At September 30, 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	\$ 635,821	\$	\$ 10,235	\$ 625,586
Middle Market portfolio investments	391,097		113,165	277,932
Private Loan portfolio investments	87,274			87,274
Other Portfolio investments	38,215		2,000	36,215
Investment in affiliated Investment Manager				
Total portfolio investments	1,152,407		125,400	1,027,007
Marketable securities and idle funds investments	19,963	19,963		

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Total investments	\$	1,172,370	\$	19,963	\$	125,400	\$	1,027,007
SBIC Debentures at fair value	\$	62,259	\$		\$		\$	62,259

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At December 31, 2012	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	\$ 482,864	\$	\$	\$ 482,864
Middle Market portfolio investments	351,972		219,838	132,134
Private Loan portfolio investments	65,493		4,992	60,501
Other Portfolio investments	24,102		1,970	22,132
Investment in affiliated Investment Manager				
Total portfolio investments	924,431		226,800	697,631
Marketable securities and idle funds investments	28,535		28,535	
Total investments	\$ 952,966	\$	\$ 255,335	\$ 697,631
SBIC Debentures at fair value	\$ 86,467	\$	\$	\$ 86,467

**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 \$25 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 or secondary investments in 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. Our 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

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other investment companies or private funds.

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 and nine month periods ended September 30, 2013 and 2012, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

As of September 30, 2013, Main Street had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$635.8 million, with a total cost basis of approximately \$504.3 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.9%. As of September 30, 2013, approximately 74% of Main Street's

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total LMM portfolio investments at cost were in the form of debt investments and approximately 89% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At September 30, 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%. As of December 31, 2012, Main Street had debt and equity investments in 56 LMM portfolio companies with an aggregate fair value of approximately \$482.9 million, with a total cost basis of approximately \$380.5 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.3%. As of December 31, 2012, approximately 75% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 93% 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, 2012, Main Street had equity ownership in approximately 93% 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 September 30, 2013 and December 31, 2012, 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 September 30, 2013, Main Street had Middle Market portfolio investments in 83 companies, collectively totaling approximately \$391.1 million in fair value with a total cost basis of approximately \$388.0 million. The weighted average EBITDA for the 83 Middle Market portfolio company investments was approximately \$85.6 million as of September 30, 2013. As of September 30, 2013, 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 7.9% as of September 30, 2013. As of December 31, 2012, Main Street had Middle Market portfolio investments in 79 companies, collectively totaling approximately \$352.0 million in fair value with a total cost basis of approximately \$348.1 million. The weighted average EBITDA for the 79 Middle Market portfolio company investments was approximately \$93.5 million as of December 31, 2012. As of December 31, 2012, substantially all of its Middle Market portfolio investments were in the form of debt investments and approximately 91% 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 8.0% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2013 and December 31, 2012, 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 September 30, 2013, Main Street had Private Loan portfolio investments in 13 companies, collectively totaling approximately \$87.3 million in fair value with a total cost basis of approximately \$86.6 million. The weighted average EBITDA for the 13 Private Loan portfolio company investments was approximately \$51.9 million as of September 30, 2013. As of September 30, 2013, 99% of Main Street's Private Loan portfolio investments were in the form of debt investments and all 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 12.0% as of September 30, 2013. As of December 31, 2012, Main Street had Private Loan portfolio investments in 9 companies, collectively totaling approximately \$65.5 million in fair value with a total cost basis of approximately \$64.9 million. The weighted average EBITDA for the 9 Private Loan portfolio company investments was approximately \$45.6 million as of December 31, 2012. As of December 31, 2012, 99% of its Private Loan portfolio investments were in the form of debt investments and all 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 14.8% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2013 and December 31, 2012, 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 September 30, 2013, Main Street had Other Portfolio investments in 6 companies, collectively totaling approximately \$38.2 million in fair value and approximately \$35.6 million in cost basis and which comprised 3.3% of Main Street's Investment Portfolio at fair value as of September 30, 2013. As of December 31, 2012, Main Street had Other Portfolio investments in 3 companies, collectively totaling approximately \$24.1 million in fair value and approximately \$23.6 million in cost basis and which comprised 2.6% of Main Street's Investment Portfolio at fair value as of December 31, 2012.

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During the nine months ended September 30, 2013, there were ten portfolio company investment transfers from the LMM and Middle Market portfolio investment categories to the Private Loan portfolio investment category totaling \$69.6 million in fair value and \$69.0 million in cost as of the date of transfer.

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 September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).

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<b>Cost:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
First lien debt	79.1%	81.1%
Equity	11.1%	10.4%
Second lien debt	7.1%	6.0%
Equity warrants	2.3%	1.9%
Other	0.4%	0.6%
	100.0%	100.0%

<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
First lien debt	69.6%	72.1%
Equity	20.3%	18.7%
Second lien debt	6.3%	5.4%
Equity warrants	3.5%	3.3%
Other	0.3%	0.5%
	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 September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Southwest	28.0%	27.7%
West	22.6%	25.7%
Northeast	15.9%	17.2%
Southeast	14.9%	10.1%
Midwest	13.5%	17.6%
Canada	1.2%	0.0%
Other Non-United States	3.9%	1.7%
	100.0%	100.0%

<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Southwest	31.2%	31.3%
West	22.6%	25.3%
Northeast	15.6%	15.8%
Southeast	12.9%	9.1%
Midwest	13.2%	17.0%
Canada	1.0%	0.0%
Other Non-United States	3.5%	1.5%
	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 September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).





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<b>Cost:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Energy Equipment & Services	11.8%	8.4%
Specialty Retail	7.4%	6.1%
Media	6.6%	7.2%
Commercial Services & Supplies	5.8%	6.4%
Health Care Providers & Services	5.8%	5.3%
Hotels, Restaurants & Leisure	5.0%	3.5%
Construction & Engineering	4.7%	4.7%
Software	4.6%	8.3%
Machinery	4.3%	6.7%
Road & Rail	3.0%	1.0%
Diversified Telecommunication Services	2.9%	0.0%
Diversified Consumer Services	2.8%	3.2%
IT Services	2.8%	2.8%
Oil, Gas & Consumable Fuels	2.8%	1.6%
Electronic Equipment, Instruments & Components	2.2%	2.6%
Insurance	2.0%	2.0%
Textiles, Apparel & Luxury Goods	1.9%	0.7%
Auto Components	1.8%	0.5%
Metals & Mining	1.6%	2.2%
Building Products	1.5%	2.0%
Professional Services	1.4%	2.2%
Health Care Equipment & Supplies	1.3%	1.5%
Leisure Equipment & Products	1.3%	0.0%
Containers & Packaging	1.2%	1.5%
Consumer Finance	1.2%	1.2%
Paper & Forest Products	1.1%	1.0%
Electrical Equipment	1.1%	0.8%
Food Products	1.0%	2.0%
Chemicals	0.9%	2.0%
Aerospace & Defense	0.8%	1.9%
Trading Companies & Distributors	0.5%	1.0%
Construction Materials	0.2%	1.7%
Communications Equipment	0.0%	1.2%
Other (1)	6.7%	6.8%
	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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<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Energy Equipment & Services	12.7%	10.2%
Specialty Retail	6.4%	4.9%
Media	6.3%	6.7%
Machinery	6.1%	8.3%
Health Care Providers & Services	5.6%	5.3%
Commercial Services & Supplies	5.5%	6.1%
Construction & Engineering	4.9%	5.1%
Hotels, Restaurants & Leisure	4.8%	3.5%
Software	4.5%	7.9%
Diversified Consumer Services	3.8%	4.0%
Road & Rail	3.2%	1.5%
Diversified Telecommunication Services	3.2%	0.0%
IT Services	2.5%	2.5%
Oil, Gas & Consumable Fuels	2.4%	1.4%
Electronic Equipment, Instruments & Components	2.3%	2.4%
Insurance	1.8%	1.8%
Textiles, Apparel & Luxury Goods	1.6%	0.6%
Auto Components	1.6%	0.4%
Metals & Mining	1.4%	1.9%
Paper & Forest Products	1.3%	1.2%
Professional Services	1.2%	2.0%
Trading Companies & Distributors	1.2%	1.7%
Health Care Equipment & Supplies	1.1%	1.3%
Containers & Packaging	1.1%	1.3%
Leisure Equipment & Products	1.1%	0.0%
Consumer Finance	1.0%	1.1%
Electrical Equipment	1.0%	0.7%
Food Products	0.9%	1.8%
Building Products	0.9%	1.5%
Chemicals	0.8%	1.8%
Aerospace & Defense	0.7%	1.7%
Transportation Infrastructure	0.7%	1.0%
Construction Materials	0.1%	1.4%
Communications Equipment	0.0%	1.1%
Other (1)	6.3%	5.9%
	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 September 30, 2013 and December 31, 2012, Main Street had no portfolio investment that was greater than 10% of the Investment Portfolio at fair value.

#### **NOTE D WHOLLY OWNED INVESTMENT MANAGER**

As part of the Formation Transactions, the Investment Manager became a wholly owned subsidiary of MSCC. However, through March 31, 2013, the Investment Manager was accounted for as a portfolio investment since the Investment Manager is not an investment company and

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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 Investment Manager was consolidated prospectively as the controlled operating subsidiary was considered to be providing substantially all of its services directly or indirectly to Main Street or portfolio companies.

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The Investment Manager receives recurring investment management fees from certain direct and indirect wholly owned subsidiaries of MSCC. The Investment Manager may also receive certain management, consulting and advisory fees for providing these services to third parties (the External Services ).

During May 2012, MSCC and the Investment Manager executed 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. MSCC is initially providing such investment advisory services to HMS Adviser, but it is ultimately intended that the Investment Manager provide such services because the fees MSCC receives from such arrangement could otherwise have negative consequences on its ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment (MSCC or the Investment Adviser, whichever is providing such investment advisory services, the Sub-Adviser ). Certain relief must be obtained from the SEC before the Investment Manager is permitted to provide these services to HMS Adviser, which relief is being sought, but there can be no assurance that it will be obtained. Under the investment sub-advisory agreement, the Sub-Adviser 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, the Sub-Adviser has 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 September 30, 2013, the Sub-Adviser has not received any base management fee or incentive fees under the investment sub-advisory agreement, and the Sub-Adviser is not due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement.

Through March 31, 2013, the investment in the Investment Manager was accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street's Board of Directors, based on the total estimated present value of the net cash flows received for the External Services, over the estimated dollar averaged life of the related investment management, advisory or consulting contract, and was also based on comparable public market transactions. The net cash flows utilized in the valuation of the Investment Manager excluded any revenues and expenses from MSCC and its subsidiaries, but included the revenues attributable to External Services, and were reduced by an estimated allocation of costs related to providing such External Services. Any change in fair value of the investment in the Investment Manager was recognized on Main Street's statement of operations as Unrealized appreciation (depreciation) in Investment in affiliated Investment Manager, with a corresponding increase (in the case of appreciation) or decrease (in the case of depreciation) to Investment in affiliated Investment Manager on Main Street's balance sheet. As of March 31, 2013 (the last period the Investment Manager was considered to be a portfolio investment for accounting purposes) and December 31, 2012, the fair value of the investment in the Investment Manager was zero. Beginning April 1, 2013, the 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 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 Investment Manager permits Main Street to receive third party fees and continue to comply with the source income requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences, as well as permanent differences. Through March 31, 2013, the 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 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 Investment Manager was reimbursed each quarter by MSCC for its cash operating expenses, less fees that the 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 Investment Manager were reflected as Expenses reimbursed to affiliated Investment Manager on the statements of operations along with any additional net costs reimbursed by MSCC to the Investment Manager pursuant to the support services agreement. Beginning April 1, 2013, the expenses of the Investment Manager are included in Main Street's consolidated financials statements, after elimination of any intercompany

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activity, in the statement of operations as either compensation expenses or as a part of general and administrative expenses.

In the separate stand-alone financial statements of the Investment Manager as summarized below, as part of the Formation Transactions the Investment Manager recognized an \$18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of Pushdown Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase ( SAB 54 ). Under SAB 54, push-down accounting is required in purchase transactions that result in an entity becoming substantially wholly owned. In this case, MSCC acquired 100% of the equity interests in the Investment Manager in the Formation Transactions. Because the \$18 million value attributed to MSCC s investment in the Investment Manager

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was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the \$18 million valuation of the Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. Through March 31, 2013, amortization expense was recorded by the Investment Manager in its separate financial statements, but this amortization expense was not included in the expenses reimbursed by MSCC to the Investment Manager based upon the support services agreement since it is non-cash and non-operating in nature. Upon consolidation of the 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:

	<b>As of March 31 2013</b>	<b>As of December 31, 2012</b>
	<b>(in thousands) (Unaudited)</b>	
Cash	\$ 524	\$ 741
Accounts receivable	79	69
Accounts receivable - MSCC	106	4,066
Intangible asset (net of accumulated amortization of \$6,021 and \$5,681 as of March 31, 2013 and December 31, 2012, respectively)	11,979	12,319
Deposits and other	556	462
<b>Total assets</b>	<b>\$ 13,244</b>	<b>\$ 17,657</b>
Accounts payable and accrued liabilities	\$ 1,410	\$ 5,483
Equity	11,834	12,174
<b>Total liabilities and equity</b>	<b>\$ 13,244</b>	<b>\$ 17,657</b>

	<b>Three Months Ended September 30, 2012</b>	<b>Three Months Ended March 31, 2013</b>	<b>Nine Months Ended September 30, 2012</b>
	<b>(in thousands) (Unaudited)</b>		
Management fee income from MSC II	\$ 707	\$ 776	\$ 1,867
Other management advisory fees	145		247
<b>Total income</b>	<b>852</b>	<b>776</b>	<b>2,114</b>
Salaries, benefits and other personnel costs	(1,917)	(2,731)	(6,564)
Occupancy expense	(89)	(108)	(254)
Professional expenses	(67)	(77)	(99)
Amortization expense - intangible asset	(325)	(340)	(956)
Other expenses	(287)	(273)	(904)
Expense reimbursement from MSCC	1,508	2,413	5,707
<b>Total net expenses</b>	<b>(1,177)</b>	<b>(1,116)</b>	<b>(3,070)</b>

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Net Loss	\$	(325)	\$	(340)	\$	(956)
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As a result of the consolidation of the Investment Manager beginning in the second quarter of 2013, the balance sheet and income statement accounts of the Investment Manager are included in Main Street's consolidated financial statements and the Investment in affiliated Investment Manager and Expenses reimbursed to affiliated 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

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accounts of the Investment Manager beginning with the second quarter of 2013, the expenses on Main Street's income statement that were included in Expenses reimbursed to affiliated Investment Manager in prior periods are now included in Compensation or General and administrative expenses. The consolidation of the 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 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 Investment Manager would not have changed any per share results. The following pro forma information has been provided for the three and nine months ended September 2013 and 2012 as though the Investment Manager had been consolidated as of the beginning of each period presented.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(Actual)</b>	<b>(Pro-forma)</b>	<b>(Pro-forma (1))</b>	<b>(Pro-forma)</b>
	<b>(in thousands)</b>			
	<b>(Unaudited)</b>			
Compensation	\$ (2,575)	\$ (1,917)	\$ (7,879)	\$ (6,564)
General and administrative	(1,533)	(893)	(3,929)	(2,767)
Expenses reimbursed to affiliated Investment Manager				
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>				
Investment in affiliated Investment Manager				
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 28,054</b>	<b>\$ 31,967</b>	<b>\$ 75,688</b>	<b>\$ 79,955</b>

(1) Represents pro-forma information for the three months ended March 31, 2013 and actual information for the period from April 1, 2013 through September 30, 2013.

### **NOTE E SBIC DEBENTURES**

SBIC debentures payable at September 30, 2013 and December 31, 2012 were \$161.2 million and \$225.0 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate on the SBIC debentures as of September 30, 2013 and December 31, 2012 was 4.3% and 4.7%, respectively. During the three months ended September 30, 2013, we opportunistically prepaid \$63.8 million of our SBIC debentures as part of an effort to manage the maturity dates of our oldest SBIC debentures. As a result of this prepayment, Main Street recognized a realized loss of \$4.8 million, which was primarily a result of reversing previously recognized realized gains recorded on the date of the Exchange Offer and unrealized losses due to fair value adjustments since the date of the Exchange Offer. Main Street expects to issue new SBIC debentures under



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the SBIC program in the future in an amount up to 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 September 30, 2013 is approximately 6.8 years. For the three months ended September 30, 2013 and 2012, Main Street recognized interest expense attributable to the SBIC debentures of \$2.8 million and \$2.9 million, respectively. For the nine months ended September 30, 2013 and 2012, Main Street recognized interest expense attributable to the SBIC debentures of \$8.4 million and \$8.7 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 September 30, 2013, the recorded value of the SBIC debentures was \$148.3 million which consisted of (i) \$62.3 million recorded at fair value, or \$12.9 million less than the \$75.2 million face value of the SBIC debentures held in MSC II, and (ii) \$86.0 million reported at face value and held in MSMF. As of September 30, 2013, 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 \$138.5 million, or \$22.7 million less than the \$161.2 million face value of the SBIC debentures.

### **NOTE F CREDIT FACILITY**

Main Street maintains the Credit Facility to provide additional liquidity in support of future investment and operational activities. The Credit Facility was amended and restated during September 2013 to provide for an increase in total commitments from \$382.5 million to \$445.0 million and to increase the diversified group of lenders to thirteen lenders. The Credit Facility contains an

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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.

Subsequent to this amendment and restatement, 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 (0.18%, as of September 30, 2013) plus 2.25% or (ii) the applicable base rate (Prime Rate, 3.25% as of September 30, 2013) 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 now 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 September 30, 2013, Main Street had \$166.0 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 \$1.6 million and \$1.0 million, respectively, for the three months ended September 30, 2013 and 2012 and \$4.1 million and \$3.3 million, respectively, for the nine months ended September 30, 2013 and 2012. As of September 30, 2013, the interest rate on the Credit Facility was 2.4%, and Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE G NOTES**

On April 2, 2013, Main Street issued \$80.0 million in aggregate principal amount of 6.125% Notes due 2023 (the "Notes"). On April 15, 2013, the underwriters fully exercised their option to purchase an additional \$12.0 million in aggregate principal amount of Notes to cover over-allotments, bringing the total size of the offering to \$92.0 million. The Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our 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 and \$2.9 million for the three and nine months ended September 30, 2013. 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. During the three months ended September 30, 2013, the Company repurchased \$1.1 million principal of the Notes in the open market for an aggregate purchase price of \$1.1 million and surrendered them to the Trustee for cancellation. As of September 30, 2013, the outstanding balance of the Notes was \$90.9 million.

The indenture governing the Notes (the "Notes Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are 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 we cease 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.



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	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Per Share Data:</b>		
Net asset value at the beginning of the period	\$ 18.59	\$ 15.19
Net investment income (1) (3)	1.48	1.44
Net realized gain (loss) (1) (2) (3)	(0.21)	0.19
Net change in unrealized appreciation (1) (2) (3)	0.95	1.41
Income tax provision (1) (2) (3)	(0.09)	(0.25)
Net increase in net assets resulting from operations (1) (3)	2.13	2.79
Dividends paid to stockholders from net investment income	(1.84)	(0.75)
Dividends paid to stockholders from realized gains/losses	(0.09)	(0.51)
Total dividends paid	(1.93)	(1.26)
Impact of the net change in monthly dividends declared prior to the end of the period	(0.01)	
Accretive effect of public stock offerings (issuing shares above NAV per share)	1.12	0.64
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.08	0.06
Other (4)	0.03	0.07
Net asset value at the end of the period	\$ 20.01	\$ 17.49
Market value at the end of the period	\$ 29.93	\$ 29.51
Shares outstanding at the end of the period	39,698,645	31,619,333

- (1) Based on weighted average number of common shares outstanding for the period.
- (2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.
- (3) Per share amounts are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.
- (4) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands, except percentages)</b>	
Net asset value at end of period	\$ 794,176	\$ 553,154
Average net asset value	\$ 684,436	\$ 479,451
Average outstanding debt	\$ 433,606	\$ 334,600
Ratio of total expenses, including income tax expense, to average net asset value (1) (2) (3)	4.94%	6.27%
Ratio of operating expenses to average net asset value (1) (3)	4.46%	4.81%
Ratio of operating expenses, excluding interest expense, to average net asset value (1) (3)	2.22%	2.33%

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Ratio of net investment income to average net asset value (1) (3)	7.68%	8.58%
Portfolio turnover ratio (3)	25.27%	36.94%
Total investment return (3) (4)	4.40%	46.24%
Total return based on change in net asset value (3) (5)	11.77%	19.70%

(1) Ratios are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

(2) Total expenses are the sum of operating expenses and income tax expense. Income tax expense includes the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash

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in nature and may vary significantly from period to period. Main Street is required to include deferred taxes in calculating its total expenses even though these deferred taxes are not currently payable.

(3) Not annualized.

(4) Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by Main Street's dividend reinvestment plan during the period. The return does not reflect sales load.

(5) Total return based on change in net asset value was calculated using the sum of ending net asset value plus dividends to stockholders and other non-operating changes during the period, as divided by the beginning net asset value.

**NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

Main Street paid supplemental dividends of \$0.35 per share in January 2013 and \$0.20 per share in July 2013, regular monthly dividends of \$0.15 per share for each month of January through March 2013 and regular monthly dividends of \$0.155 per share for each month of April through September 2013, with such dividends totaling \$67.8 million, or \$1.93 per share. The regular monthly dividends for the three months and nine months ended September 30, 2013 equal a total of approximately \$16.9 million, or \$0.465 per share, and \$48.7 million, or \$1.38 per share, respectively, for each period. The third quarter 2013 regular monthly dividends represent a 7% increase from the monthly dividends paid for the third quarter of 2012. For the three and nine months ended September 30, 2012, Main Street paid total monthly dividends of approximately \$13.1 million, or \$0.435 per share, and \$35.4 million, or \$1.26 per share, respectively, for each period.

MSCC has elected to be treated for federal income tax purposes as a RIC and intends to continue to qualify for such treatment. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

The determination of the tax attributes for Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. Ordinary dividend distributions from a RIC do not qualify for the 20% maximum tax rate on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains, but may also include qualified dividends or return of capital.

Listed below is a reconciliation of Net increase in net assets resulting from operations to taxable income and to total distributions declared to common stockholders for the nine months ended September 30, 2013 and 2012.

**Nine Months Ended September 30,**

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(amounts in thousands)			
Net increase in net assets resulting from operations	\$	75,688	\$ 79,958
Share-based compensation expense		3,357	1,860
Net realized income allocated to noncontrolling interest			(65)
Net change in unrealized appreciation on investments		(33,772)	(40,467)
Income tax provision		3,308	7,041
Pre-tax book (income) loss not consolidated for tax purposes		11,586	9,927
Book income and tax income differences, including debt origination, structuring fees dividends, realized gains and changes in estimates		2,974	1,983
Estimated taxable income (1)		63,141	60,237
Taxable income earned in prior year and carried forward for distribution in current year		44,415	6,535
Taxable income prior to period end and carried forward for distribution		(44,961)	(35,028)
Dividend accrued as of period end and paid in the following period		6,352	4,743
Total distributions accrued or paid to common stockholders	\$	68,947	\$ 36,487

(1) Main Street's taxable income for each period is an estimate and will not be finally determined until the company files its tax return for each year. Therefore, the final taxable income, and the taxable income earned in each period and carried forward for distribution in the following period, may be different than this estimate.

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The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements as investments and recorded at fair value. The principal purpose of the Taxable Subsidiaries is to permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to 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 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 Investment Manager provides investment management advisory services and other services and receives fee income for such services (see further discussion of the Investment Manager in Note D). Beginning April 1, 2013, the Investment Manager is included in Main Street's consolidated financial statements and reflected as a consolidated subsidiary, but the Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is not consolidated with Main Street for income tax purposes and as a result may generate income tax expense, or benefit, and tax assets and liabilities as a result of its activities. The Investment Manager permits Main Street to receive third party fees and continue to comply with the source income requirements contained in the RIC tax provisions of the Code.

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries and the Investment Manager, if any, is reflected in Main Street's Consolidated Statement of Operations. For the three months ended September 30, 2013 and 2012, we recognized a net income tax provision of \$0.5 million and \$4.2 million, respectively, related to deferred taxes of \$0.1 million and \$4.2 million, respectively, and other taxes of \$0.4 million for the three months ended September 30, 2013. For the nine months ended September 30, 2013 and 2012, we recognized a net income tax provision of \$3.3 million and \$7.0 million, respectively, related to deferred taxes of \$1.5 million and \$6.0 million, respectively, and other taxes of \$1.8 million and \$1.0 million, respectively. The deferred taxes related primarily to net unrealized appreciation on equity investments held in our Taxable Subsidiaries. For the three and nine months ended September 30, 2013, the other taxes include \$0.3 million and \$1.3 million, respectively, related to an accrual for excise tax on our estimated spillover taxable income and \$0.1 million and \$0.5 million, respectively, related to accruals for state and other taxes. For the nine months ended September 30, 2012, the other taxes include \$0.8 million, respectively, related to an accrual for excise tax on our estimated spillover taxable income and \$0.2 million, respectively, related to accruals for state and other taxes.

The net deferred tax liability at September 30, 2013 and December 31, 2012 was \$11.1 million and \$11.8 million, respectively, primarily related to timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries, partially offset by net loss carryforwards (primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and the operating activities of the Investment Manager), basis differences of portfolio investments held by the Taxable Subsidiaries which are pass through entities for tax purposes, capital loss carryforwards and excess deductions resulting from the restricted stock plans (see further discussion in Note L). As of September 30, 2013, these capital loss carryforwards totaled approximately \$2.8 million and Main Street expects to fully utilize the capital loss carryforwards prior to their expiration. Due to the consolidation of the Investment Manager (see further discussion in Note D) on April 1, 2013, the Company recorded a deferred tax asset of \$2.2 million through additional paid-in capital relating to the prior periods through March 31, 2013.

As a result of certain realization requirements of ASC 718, *Compensation - Stock Compensation*, Main Street has not recorded any deferred tax assets for tax deductions related to equity compensation greater than equity compensation recognized for financial reporting. Additional paid-in-capital will be increased by \$1.2 million if and when such deferred tax assets are ultimately realized by reducing taxes payable. Main Street uses tax law ordering when determining when excess tax benefits should be realized.

**NOTE J COMMON STOCK**



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During the three months ended September 30, 2013, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$29.75 per share, resulting in total gross proceeds of approximately \$136.9 million, less (i) underwriters' commissions of approximately \$5.1 million and (ii) offering costs of approximately \$0.3 million.

During the three months ended December 31, 2012, Main Street completed a follow-on public equity offering of 2,875,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$28.00 per share, resulting in total gross proceeds of approximately \$80.5 million, less (i) underwriters' commissions of approximately \$3.2 million and (ii) offering costs of approximately \$0.2 million.

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During the three months ended June 30, 2012, Main Street completed a follow-on public equity offering of 4,312,500 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of \$22.50 per share, resulting in total gross proceeds of approximately \$97.0 million, less (i) underwriters' commissions of approximately \$3.9 million and (ii) offering costs of approximately \$0.2 million.

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

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

For the nine months ended September 30, 2013, \$12.7 million of the total \$67.8 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 278,166 newly issued shares and with the purchase of 134,659 shares of common stock in the open market. For the nine months ended September 30, 2012, \$7.7 million of the total \$36.5 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 264,331 newly issued shares and with the purchase of 52,404 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE L SHARE-BASED COMPENSATION**

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

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares generally vest over a four-year period from the grant date. The fair value is expensed over the four-year service period starting on the grant date and the following table summarizes the restricted stock issuances approved by Main Street's Board of Directors, net of shares forfeited, and the remaining shares of restricted stock available for issuance as of September 30, 2013.

Restricted stock authorized under the plan	2,000,000
Less restricted stock granted on:	

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July 1, 2008	(245,645)
July 1, 2009	(98,993)
July 1, 2010	(149,357)
June 20, 2011	(117,728)
June 20, 2012	(133,973)
Quarter ended December 31, 2012	(12,476)
Quarter ended March 31, 2013	(1,100)
June 20, 2013	(246,823)
Quarter ended September 30, 2013	(21,688)
Restricted stock available for issuance as of September 30, 2013	972,217

The following table summarizes the restricted stock issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares vest on the day immediately preceding the

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annual meeting of stockholders following the respective grant date and are expensed over a one-year service period starting on the grant date.

Restricted stock authorized under the plan	200,000
Less restricted stock granted on:	
July 1, 2008	(20,000)
July 1, 2009	(8,512)
July 1, 2010	(7,920)
June 20, 2011	(6,584)
August 3, 2011	(1,658)
June 20, 2012	(5,060)
June 13, 2013	(4,304)
August 6, 2013	(980)
Restricted stock available for issuance as of September 30, 2013	144,982

For the three months ended September 30, 2013 and 2012, Main Street recognized total share-based compensation expense of \$2.1 million and \$0.7 million, respectively, and for each of the nine months ended September 30, 2013 and 2012, Main Street recognized total share-based expense of \$3.4 million and \$1.9 million, respectively, related to the restricted stock issued to Main Street employees and independent directors. In August 2013, the Board accelerated the vesting of all of the unvested shares of restricted stock previously granted to and held by Main Street's retiring Executive Vice-Chairman under the 2008 Equity Incentive Plan. The accelerated vesting of these 55,597 shares resulted in share-based compensation expense of \$1.3 million during the three months and nine months ended September 30, 2013. Excluding the expense associated with the accelerated vesting of these shares, the total share-based compensation expense for the three months and nine months ended September 30, 2013 was \$0.9 million and \$2.1 million respectively.

As of September 30, 2013, there was \$9.4 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 3.3 years as of September 30, 2013.

### **NOTE M COMMITMENTS AND CONTINGENCIES**

At September 30, 2013, Main Street had a total of \$99.2 million in outstanding commitments comprised of (i) nine commitments to fund revolving loans that had not been fully drawn and (ii) five capital commitments that had not been fully called.

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

### **NOTE N RELATED PARTY TRANSACTIONS**

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As discussed further in Note D, subsequent to the completion of the Formation Transactions, the Investment Manager was treated as a wholly owned portfolio company of MSCC and was included as part of our Investment Portfolio through March 31, 2013. At December 31, 2012, the Investment Manager had a receivable of \$4.1 million due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business. Beginning April 1, 2013, the accounts of the Investment Manager are included in Main Street's consolidated financial statements and the Investment Manager is reflected as a consolidated subsidiary, as opposed to being a part of our Investment Portfolio, and any intercompany balances between the Investment Manager and MSCC or any of its other consolidated subsidiaries have been eliminated in consolidation.

In June 2013, Main Street adopted a deferred compensation plan for the non-employee members of its board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of Main Street common stock within 90 days after the participant's end of service as a director. As of September 30, 2013, \$275,000 of directors' fees had been deferred under this plan. These deferred fees represented 9,858 shares of Main Street

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common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but will be included in operating expenses and weighted average shares outstanding on Main Street's consolidated statement of operations as earned.

**NOTE O SUBSEQUENT EVENTS**

In October 2013, Main Street closed a new portfolio investment totaling \$9.2 million of invested capital in Glowpoint, Inc. (NYSE MKT: GLOW) (Glowpoint). Main Street's investment in Glowpoint consists of \$9.0 million in first lien senior, secured term debt and \$0.2 million funded on a \$2.0 million revolving credit facility. Main Street previously completed a \$3.75 million indirect investment in Glowpoint's common equity. The proceeds of Main Street's debt investment enabled Glowpoint to refinance its current senior debt obligations and provided additional working capital to the company. Glowpoint is a leading provider of cloud managed video collaboration, network, and support services to large enterprises and mid-sized companies to support their unified communications strategies and business goals. Glowpoint was founded in 1991 and is headquartered in Murray Hill, New Jersey.

In October 2013, Main Street led the syndication of a \$50.0 million first lien, senior secured credit facility (the Facility) for AM3 Pinnacle Corporation (AM3 Pinnacle). Main Street's participation in the Facility was \$22.5 million. In conjunction with its investment in the Facility, Main Street previously completed a \$2.0 million equity investment in AM3 Pinnacle. The proceeds of the Facility and Main Street's equity investment supported AM3 Pinnacle's acquisition of certain assets from MDU Communications International, Inc. and provided additional working capital to the company. AM3 Pinnacle is the parent company of Access Media 3, Inc. (AM3), one of the leading providers of comprehensive Internet, TV and voice services for multi-dwelling unit properties, including design, installation, maintenance and service management. AM3 was founded in 2006 and is based in Oak Brook, Illinois.

During November 2013, Main Street declared regular monthly dividends of \$0.165 per share for each month of January, February and March of 2014. These regular monthly dividends equal a total of \$0.495 per share for the first quarter of 2014. The first quarter 2014 regular monthly dividends represent a 10% increase from the regular monthly dividends declared for the first quarter of 2013. Including the regular monthly dividends declared for the first quarter of 2014, Main Street will have paid \$10.93 per share in cumulative dividends since its October 2007 initial public offering.

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

*The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Risk Factors and Cautionary Statement Concerning Forward Looking Statements in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission (the SEC) on March 8, 2013 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, filed with the SEC on August 9, 2013, for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the consolidated financial statements and related notes and other financial information included in the Annual Report on Form 10-K for the year ended December 31, 2012.*

**ORGANIZATION**

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

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

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

MSCC has direct 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. The Investment Manager is also a direct wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries and the Investment Manager are each taxed at their normal corporate tax rates based on their taxable income.

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Unless otherwise noted or the context otherwise indicates, the terms we, us, our and Main Street refer to MSCC and its consolidated subsidiaries which include the Funds, the Taxable Subsidiaries and, beginning April 1, 2013, the Investment Manager.



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**OVERVIEW**

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ( LMM ) companies and debt capital to middle market ( Middle Market ) companies. Our portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in diverse industry sectors. We seek to partner with entrepreneurs, business owners and management teams and generally provide one stop financing alternatives within our LMM portfolio. We invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$25 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ( Private Loan ) investments are made in businesses that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, 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 our LMM portfolio or Middle Market portfolio.

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

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

As of September 30, 2013, we had debt and equity investments in 62 LMM portfolio companies with an aggregate fair value of approximately \$635.8 million, with a total cost basis of approximately \$504.3 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.9%. As of September 30, 2013 approximately 74% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 89% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At September 30, 2013, we had equity ownership in approximately 94% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%. As of December 31, 2012, we had debt and equity investments in 56 LMM portfolio companies with an aggregate fair value of approximately \$482.9 million, with a total cost basis of approximately \$380.5 million, and a weighted average annual effective yield on our LMM debt investments of approximately 14.3%. As of December 31, 2012, approximately 75% of our total LMM portfolio investments at cost were in the form of debt investments and approximately 93% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. At December 31, 2012, we had equity ownership in approximately 93% of our 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 September 30, 2013 and December 31, 2012, including amortization of deferred debt origination fees and accretion of original

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issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

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

As of September 30, 2013, we had Middle Market portfolio investments in 83 companies, collectively totaling approximately \$391.1 million in fair value with a total cost basis of approximately \$388.0 million. The weighted average EBITDA for the 83 Middle Market portfolio company investments was approximately \$85.6 million as of September 30, 2013. As of September 30, 2013, substantially all of our 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

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our Middle Market portfolio debt investments was approximately 7.9% as of September 30, 2013. As of December 31, 2012, we had Middle Market portfolio investments in 79 companies, collectively totaling approximately \$352.0 million in fair value with a total cost basis of approximately \$348.1 million. The weighted average EBITDA for the 79 Middle Market portfolio company investments was approximately \$93.5 million as of December 31, 2012. As of December 31, 2012, substantially all of our Middle Market portfolio investments were in the form of debt investments and approximately 91% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Middle Market portfolio debt investments was approximately 8.0% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2013 and December 31, 2012, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of the companies included in our LMM portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

As of September 30, 2013, we had Private Loan portfolio investments in 13 companies, collectively totaling approximately \$87.3 million in fair value with a total cost basis of approximately \$86.6 million. The weighted average EBITDA for the 13 Private Loan portfolio company investments was approximately \$51.9 million as of September 30, 2013. As of September 30, 2013, 99% of our Private Loan portfolio investments were in the form of debt investments and all such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 12.0% as of September 30, 2013. As of December 31, 2012, we had Private Loan portfolio investments in 9 companies, collectively totaling approximately \$65.5 million in fair value with a total cost basis of approximately \$64.9 million. The weighted average EBITDA for the 9 Private Loan portfolio company investments was approximately \$45.6 million as of December 31, 2012. As of December 31, 2012, 99% of our Private Loan portfolio investments were in the form of debt investments and all such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on our Private Loan portfolio debt investments was approximately 14.8% as of December 31, 2012. The weighted average annual yields were computed using the effective interest rates for all debt investments at September 30, 2013 and 2012, 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 September 30, 2013, we had Other Portfolio investments in 6 companies, collectively totaling approximately \$38.2 million in fair value and approximately \$35.6 million in cost basis and which comprised 3.3% of our Investment Portfolio at fair value as of September 30, 2013. As of December 31, 2012, we had Other Portfolio investments in 3 companies, collectively totaling approximately \$24.1 million in both fair value and approximately \$23.6 million in cost basis and which comprised 2.6% of our Investment Portfolio at fair value as of December 31, 2012.

During the nine months ended September 30, 2013, there were ten portfolio company investment transfers from the LMM and Middle Market portfolio investment categories to the Private Loan portfolio investment category totaling \$69.6 million in fair value and \$69.0 million in cost as of the date of transfer.

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

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

MSCC and its consolidated subsidiaries are internally managed by the Investment Manager, a wholly owned subsidiary of MSCC, which employs all of the executive officers and other employees of Main Street. Because the Investment Manager is wholly owned by MSCC, Main Street does not pay any external investment advisory fees, but instead incurs the operating costs associated with employing investment and portfolio management professionals through the Investment Manager. We believe that our internally

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managed structure provides us with a beneficial operating expense structure when compared to other publicly-traded and privately-held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the three and nine months ended September 30, 2013, the ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock (as discussed further below in Discussion and analysis of results of operations - Comparison of the three months ended September 30, 2013 and September 30, 2012 ), as a percentage of our quarterly average total assets was 1.6% and 1.6%, respectively, on an annualized basis, compared to 1.6% and 1.9%, respectively, on an annualized basis for the three and nine months ended September 30, 2012 and 1.8% for the year ended December 31, 2012. Including the effect of the accelerated vesting, the ratio for the three and month months ended September 30, 2013 would have been 2.0% and 1.8%, respectively, on an annualized basis.

During May 2012, MSCC and the Investment Manager executed 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. MSCC is initially providing such investment advisory services to HMS Adviser, but it is ultimately intended that the Investment Manager provide such services because the fees MSCC receives from such arrangement could otherwise have negative consequences on its ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment (MSCC or the Investment Adviser, whichever is providing such investment advisory services, the Sub-Adviser ). Certain relief must be obtained from the SEC before the Investment Manager is permitted to provide these services to HMS Adviser, which relief is being sought, but there can be no assurance that it will be obtained. Under the investment sub-advisory agreement, the Sub-Adviser 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, the Sub-Adviser has 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 September 30, 2013, the Sub-Adviser has not received any base management fee or incentive fees under the investment sub-advisory agreement and the Sub-Adviser is not due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ). For the three months ended March 31, 2013 and the three and nine months ended September 30, 2012, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries. Beginning April 1, 2013, and for all periods thereafter, our consolidated financial statements also include the balance sheet and income statement accounts and other information for the Investment Manager reflected as a consolidated subsidiary (see further discussion below). The Investment Portfolio, as used herein, refers to all of our LMM portfolio investments, Middle Market portfolio investments, Private Loan portfolio investments, Other Portfolio investments and, for all periods up to and including March 31, 2013, the investment in the 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 Manager. For all periods up to and including the period ending March 31, 2013, the Investment Manager was accounted for as a portfolio investment and was not consolidated with MSCC and its consolidated subsidiaries. For all periods after March 31, 2013, the 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 our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations for the three and nine months ended September 30, 2013 and 2012, cash flows for the nine months ended September 30, 2013 and 2012, and financial position as of September 30, 2013 and December 31, 2012, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current presentation, including certain investments previously included as part of the LMM portfolio or Middle Market portfolio that are now classified as part of the Private Loan portfolio and the reclassification of Investment Portfolio and Marketable securities and idle funds investment related activity from cash flows from investing activities to cash flows from operating activities.

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The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and nine months ended September 30, 2013 and 2012 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012. 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

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statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and the Audit and Accounting Guide for Investment Companies issued by the American Institute of Certified Public Accountants (the AICPA Guide), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in the AICPA Guide occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us, or to an investment company of ours. None of the portfolio investments made by us qualify for this exception, except as discussed below with respect to the Investment Manager. Therefore, the Investment Portfolio is carried on the balance sheet at fair value, with any adjustments to fair value recognized as Net Change in Unrealized Appreciation (Depreciation) on our 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 Investment Manager was accounted for as a portfolio investment and included as part of the Investment Portfolio in our consolidated financial statements. The Investment Manager was consolidated with MSCC and its other consolidated subsidiaries prospectively beginning April 1, 2013 as the controlled operating subsidiary was providing substantially all of its services directly or indirectly to Main Street or portfolio companies.

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of September 30, 2013 and December 31, 2012, approximately 93% and 89%, respectively, of our total assets at each date represented our Investment Portfolio valued at fair value. We are required to report our investments at fair value. We follow 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.

Our business strategy calls for us 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. We also categorize some of our investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are typically 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. Our portfolio also includes Other Portfolio investments which primarily consist of investments which are not consistent with the typical profiles for our LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. All of these 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. We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policy and process is intended to provide a consistent basis for determining the fair value of our portfolio.

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For LMM portfolio investments, we generally review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. For Middle Market portfolio investments, we primarily use observable inputs such as quoted prices in the valuation process. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we generally use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, control LMM portfolio investments are composed of debt and equity securities in companies for which we have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for our control LMM portfolio investments. As a result, for control LMM portfolio investments, we generally determine the fair value using a combination of market and income approaches. Under the market approach, we will typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, we



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analyze various factors, including the portfolio company's historical and projected financial results. We allocate the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. We will also use the income approach to determine the fair value of these securities, based on projections of the discounted future free cash flows that the portfolio company or the debt security will likely generate, and which includes using a yield-to-maturity approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. The valuation approaches for our control LMM portfolio investments estimate the value of the investment if we were to sell, or exit, the investment. In addition, these valuation approaches consider the value associated with our ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

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

Our Middle Market portfolio investments primarily consist of direct or secondary investments in interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our Investment Portfolio. For valuation purposes, all of our Middle Market portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing, to the extent such sufficient observable inputs are available to determine fair value. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, we generally use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

Our Private Loan portfolio investments primarily consist of direct or secondary investments in interest-bearing debt securities in companies that are consistent with the size of companies included in our LMM portfolio or our Middle Market portfolio. For valuation purposes, all of our Private Loan portfolio investments are non-control investments for which we do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. As sufficient observable inputs to determine the fair value of these Private Loan portfolio investments through obtaining third party pricing or other independent pricing are not generally available, we generally use a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

For valuation purposes, all of our Other Portfolio investments are non-control investments for which we generally do not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Our Other Portfolio investments comprised 3.3% and 2.6%, respectively, of our Investment Portfolio at fair value as of September 30, 2013 and December 31, 2012. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For our Other Portfolio equity investments, we determine the fair value based on the fair value of the portfolio company as determined by independent

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third parties and based on our proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Other Portfolio debt investments with observable inputs, we 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. To the extent observable inputs are not available, we value these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value our LMM portfolio debt investments.

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Due to the inherent uncertainty in the valuation process, our determination of fair value for our 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. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

We may periodically provide services, including structuring and advisory services, to our portfolio companies 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.

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

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

***Share-Based Compensation***

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

***Income Taxes***

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

The Taxable Subsidiaries hold certain portfolio investments for us. The Taxable Subsidiaries are consolidated with us for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in our consolidated financial statements. The principal purpose of the Taxable Subsidiaries is to permit us to hold equity investments in portfolio companies which

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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 us 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 related tax assets and liabilities, are reflected in our consolidated financial statements.

The Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with us 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 Investment Manager permits us to receive third party fees and continue to comply with the source income requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences, as well as permanent differences. Through March 31, 2013, the 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 Investment Manager is included in our 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 our consolidated financial statements.

The Taxable Subsidiaries and the 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.

## **INVESTMENT PORTFOLIO COMPOSITION**

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

Middle Market portfolio investments primarily consist of direct or secondary investments in interest-bearing debt securities in companies that are generally larger in size than the LMM companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien and typically have a term of between three and five years.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies included in our LMM portfolio or our Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years.

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The following tables summarize the composition of our 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 September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).

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<b>Cost:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
First lien debt	79.1%	81.1%
Equity	11.1%	10.4%
Second lien debt	7.1%	6.0%
Equity warrants	2.3%	1.9%
Other	0.4%	0.6%
	100.0%	100.0%

<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
First lien debt	69.6%	72.1%
Equity	20.3%	18.7%
Second lien debt	6.3%	5.4%
Equity warrants	3.5%	3.3%
Other	0.3%	0.5%
	100.0%	100.0%

The following tables summarize the composition of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States or 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 September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Southwest	28.0%	27.7%
West	22.6%	25.7%
Northeast	15.9%	17.2%
Southeast	14.9%	10.1%
Midwest	13.5%	17.6%
Canada	1.2%	0.0%
Other Non-United States	3.9%	1.7%
	100.0%	100.0%

<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Southwest	31.2%	31.3%
West	22.6%	25.3%
Northeast	15.6%	15.8%
Southeast	12.9%	9.1%
Midwest	13.2%	17.0%
Canada	1.0%	0.0%
Other Non-United States	3.5%	1.5%
	100.0%	100.0%

Our 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 our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, by industry at cost and fair value as of September 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).





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Cost:	September 30, 2013	December 31, 2012
Energy Equipment & Services	11.8%	8.4%
Specialty Retail	7.4%	6.1%
Media	6.6%	7.2%
Commercial Services & Supplies	5.8%	6.4%
Health Care Providers & Services	5.8%	5.3%
Hotels, Restaurants & Leisure	5.0%	3.5%
Construction & Engineering	4.7%	4.7%
Software	4.6%	8.3%
Machinery	4.3%	6.7%
Road & Rail	3.0%	1.0%
Diversified Telecommunication Services	2.9%	0.0%
Diversified Consumer Services	2.8%	3.2%
IT Services	2.8%	2.8%
Oil, Gas & Consumable Fuels	2.8%	1.6%
Electronic Equipment, Instruments & Components	2.2%	2.6%
Insurance	2.0%	2.0%
Textiles, Apparel & Luxury Goods	1.9%	0.7%
Auto Components	1.8%	0.5%
Metals & Mining	1.6%	2.2%
Building Products	1.5%	2.0%
Professional Services	1.4%	2.2%
Health Care Equipment & Supplies	1.3%	1.5%
Leisure Equipment & Products	1.3%	0.0%
Containers & Packaging	1.2%	1.5%
Consumer Finance	1.2%	1.2%
Paper & Forest Products	1.1%	1.0%
Electrical Equipment	1.1%	0.8%
Food Products	1.0%	2.0%
Chemicals	0.9%	2.0%
Aerospace & Defense	0.8%	1.9%
Trading Companies & Distributors	0.5%	1.0%
Construction Materials	0.2%	1.7%
Communications Equipment	0.0%	1.2%
Other (1)	6.7%	6.8%
	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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<b>Fair Value:</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Energy Equipment & Services	12.7%	10.2%
Specialty Retail	6.4%	4.9%
Media	6.3%	6.7%
Machinery	6.1%	8.3%
Health Care Providers & Services	5.6%	5.3%
Commercial Services & Supplies	5.5%	6.1%
Construction & Engineering	4.9%	5.1%
Hotels, Restaurants & Leisure	4.8%	3.5%
Software	4.5%	7.9%
Diversified Consumer Services	3.8%	4.0%
Road & Rail	3.2%	1.5%
Diversified Telecommunication Services	3.2%	0.0%
IT Services	2.5%	2.5%
Oil, Gas & Consumable Fuels	2.4%	1.4%
Electronic Equipment, Instruments & Components	2.3%	2.4%
Insurance	1.8%	1.8%
Textiles, Apparel & Luxury Goods	1.6%	0.6%
Auto Components	1.6%	0.4%
Metals & Mining	1.4%	1.9%
Paper & Forest Products	1.3%	1.2%
Professional Services	1.2%	2.0%
Trading Companies & Distributors	1.2%	1.7%
Health Care Equipment & Supplies	1.1%	1.3%
Containers & Packaging	1.1%	1.3%
Leisure Equipment & Products	1.1%	0.0%
Consumer Finance	1.0%	1.1%
Electrical Equipment	1.0%	0.7%
Food Products	0.9%	1.8%
Building Products	0.9%	1.5%
Chemicals	0.8%	1.8%
Aerospace & Defense	0.7%	1.7%
Transportation Infrastructure	0.7%	1.0%
Construction Materials	0.1%	1.4%
Communications Equipment	0.0%	1.1%
Other (1)	6.3%	5.9%
	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.

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

Table of Contents**PORTFOLIO ASSET QUALITY**

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including but not limited to each investment's expected level of returns and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook. Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations. Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations. Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations. Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us. Investment Rating 5 represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment. All new LMM portfolio investments receive an initial Investment Rating of 3.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of September 30, 2013 and December 31, 2012:

Investment Rating	As of September 30, 2013		As of December 31, 2012	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(dollars in thousands)			
1	\$ 195,181	30.7%	\$ 167,154	34.6%
2	145,452	22.9%	117,157	24.3%
3	261,604	41.1%	174,754	36.2%
4	33,584	5.3%	23,799	4.9%
5		0.0%		0.0%
Total	\$ 635,821	100.0%	\$ 482,864	100.0%

Based upon our investment rating system, the weighted average rating of our LMM portfolio was approximately 2.2 as of September 30, 2013 and 2.1 as of December 31, 2012.

For the total Investment Portfolio, as of September 30, 2013, we had one investment with positive fair value on non-accrual status which comprised 0.1% of the total Investment Portfolio at fair value and, together with another fully impaired investment, comprised approximately 0.4% of the total Investment Portfolio at cost. As of December 31, 2012, we had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total Investment Portfolio at cost, excluding the investment in the affiliated Investment Manager.

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



Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the three months ended September 30, 2013 and September 30, 2012*

	Three Months Ended September 30,		Amount		Net Change	%
	2013	2012	(dollars in millions)			
Total investment income	\$ 29.7	\$ 23.0	\$	\$	6.7	29%
Total expenses	(12.2)	(7.5)			(4.7)	64%
Net investment income	17.5	15.5			2.0	13%
Net realized gain (loss) from investments	(3.0)	0.5			(3.5)	
Net realized loss from SBIC debentures	(4.8)				(4.8)	
Net realized income	9.7	16.0			(6.3)	(40)%
Net change in unrealized appreciation (depreciation) from:						
Portfolio investments	14.5	22.1			(7.6)	
SBIC debentures, marketable securities and idle funds and investment in the Investment Manager	4.4	(1.9)			6.3	
Total net change in unrealized appreciation	18.9	20.2			(1.3)	
Income tax provision	(0.5)	(4.2)			3.7	
Net increase in net assets resulting from operations attributable to common stock	\$ 28.1	\$ 32.0	\$	\$	(3.9)	(12)%

	Three Months Ended September 30,		Amount		Net Change	%
	2013	2012	(dollars in millions)			
Net investment income	\$ 17.5	\$ 15.5	\$	\$	2.0	13%
Share-based compensation expense	2.1	0.7			1.4	208%
Distributable net investment income (a)	19.6	16.2			3.4	21%
Net realized gain (loss) from investments	(3.0)	0.5			(3.5)	
Net realized loss from SBIC debentures	(4.8)				(4.8)	
Distributable net realized income (a)	11.8	16.7			(4.9)	(29)%
Distributable net investment income per share						
-						
Basic and diluted (a)	\$ 0.53	\$ 0.51	\$	\$	0.02	4%
Distributable net realized income per share -						
Basic and diluted (a)	\$ 0.32	\$ 0.53	\$	\$	(0.21)	(40)%

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

*Investment Income*

For the three months ended September 30, 2013, total investment income was \$29.7 million, a 29% increase over the \$23.0 million of total investment income for the corresponding period of 2012. This comparable period increase was principally attributable to (i) a \$5.8 million increase in interest income from higher average levels of portfolio debt investments and increased activity in the Investment Portfolio, (ii) a \$0.9 million increase in dividend income from Investment Portfolio equity investments and (iii) a \$0.3 million increase in Marketable securities and idle funds investments income, partially offset by a \$0.2 million decrease in fee income. The \$6.7 million increase in investment income in the three months ended September 2013 includes a \$0.8 million increase in the

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amount of investment income related to higher accelerated prepayment and repricing activity of certain Middle Market portfolio debt investments and Marketable securities and idle funds investments in the three months ended September 30, 2013, partially offset by a \$0.3 million decrease in the amount of non-recurring investment income associated with debt repayments and financing activities in LMM portfolio investments included in investment income in the three months ended September 30, 2013, in each case when compared to the same period in 2012.

*Expenses*

For the three months ended September 30, 2013, total expenses increased to \$12.2 million from \$7.5 million for the corresponding period of 2012. This comparable period increase in operating expenses was principally attributable to (i) a \$2.0 million increase in interest expense, primarily as a result of the issuance of our 6.125% Notes due 2023 (the "Notes") in April 2013 and a higher average outstanding balance on our credit facility ("Credit Facility"), (ii) higher compensation and related expenses of \$0.7 million, primarily as a result of additional personnel when compared to the corresponding period of 2012, (iii) a \$0.6 million increase in other general and administrative expenses and (iv) an increase of \$1.4 million in share-based compensation, primarily due to the accelerated vesting of the unvested shares of restricted stock in connection with the retirement of our former Executive Vice Chairman during the three months ended September 30, 2013. The ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock discussed above, as a percentage of our average total assets was 1.6% on an annualized basis for the three months ended September 30, 2013, compared to 1.6% for the comparable period in the prior year. Including the effect of the accelerated vesting discussed above, the ratio would have been 2.0% on annualized basis for the three months ended September 30, 2013.

*Distributable Net Investment Income*

Distributable net investment income increased 21% to \$19.6 million, or \$0.53 per share, compared with \$16.2 million, or \$0.51 per share, in the corresponding period of 2012. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the three months ended September 30, 2013 reflects (i) an increase of approximately \$0.01 per share from the comparable period in 2012 attributable to the net increase in the comparable levels of accelerated prepayment and repricing activity for certain Middle Market portfolio debt investments and Marketable securities and idle funds investments and the non-recurring investment income associated with debt repayments and financing activities in LMM portfolio investments as discussed above and (ii) a greater number of average shares outstanding compared to the corresponding period in 2012 primarily due to the December 2012 and August 2013 follow-on equity offerings.

*Net Investment Income*

Net investment income for the three months ended September 30, 2013 was \$17.5 million, or a 13% increase, compared to net investment income of \$15.5 million for the corresponding period of 2012. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher operating expenses as discussed above.

*Distributable Net Realized Income*

Distributable net realized income was \$11.8 million, or \$0.32 per share, for the three months ended September 30, 2013 compared with \$16.7 million, or \$0.53 per share, in the corresponding period of 2012. The \$4.9 million decrease was primarily attributable to (i) a net realized loss of \$4.8 million on the repayment of SBIC debentures issued to MSC II which have been accounted for on the fair value method of accounting under ASC 825, and (ii) the decrease in net realized gain (loss) from investments of \$3.5 million, primarily due to the net realized losses of \$3.0 million incurred in the third quarter of 2013, partially offset by the \$3.4 million of higher distributable net investment income in the three months ended September 30, 2013 when compared to the corresponding period of 2012 as discussed above. The \$3.0 million net realized loss from investments during the third quarter of 2013 was primarily attributable to (i) a realized loss of \$2.6 million on the restructuring of a LMM investment and (ii) a realized loss of \$1.8 million on the exit of a Middle Market investment, partially offset by a realized gain of \$0.8 million on the partial sale of a LMM investment and net realized gains on several Middle Market investments totaling \$0.6 million.

*Net Realized Income*

The net realized loss on the repayment of SBIC debentures and the net realized loss from investments in the three months ended September 30, 2013 compared to slight gains in the corresponding period of 2012 both as discussed above, partially offset by the higher levels of net investment income, as discussed above, resulted in a \$6.3 million decrease in net realized income compared with the corresponding period of 2012.



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

The net increase in net assets resulting from operations attributable to common stock during the three months ended September 30, 2013 was \$28.1 million, or \$0.76 per share, compared with \$32.0 million, or \$1.01 per share, in the third quarter of 2012. This \$3.9 million decrease from the comparable period in the prior year was primarily the result of (i) the \$6.3 million decrease in net realized income due to the factors discussed above and (ii) a \$1.3 million decrease in the net change in unrealized appreciation to \$18.9 million in the third quarter of 2013, compared to \$20.2 million for the comparable period in the prior year, partially offset by a \$3.7 million decrease in the net income tax provision from the comparable period in the prior year for the three months ended September 30, 2013. The total net change in unrealized appreciation for the third quarter of 2013 of \$18.9 million included a \$14.5 million net change in unrealized appreciation from portfolio investments and the impact of the accounting reversal of net unrealized depreciation of \$4.8 million on the SBIC debentures in conjunction with the realized loss discussed above, partially offset by the net unrealized depreciation from Marketable securities and idle funds investments of \$0.5 million. The \$14.5 million net change in unrealized appreciation from portfolio investments for the three months ended September 30, 2013 was principally attributable to (i) unrealized appreciation on 21 LMM portfolio investments totaling \$26.0 million, partially offset by unrealized depreciation on 14 LMM portfolio investments totaling \$11.8 million, (ii) 1.0 million of net unrealized appreciation on the Private Loan portfolio investments, partially offset by accounting reversals of net unrealized appreciation from prior periods of \$0.8 million related to portfolio investment exits and repayments. The net income tax provision for the three months ended September 30, 2013 of \$0.5 million primarily related to other taxes of \$0.4 million, which include a \$0.3 million accrual for excise tax on our estimated spillover taxable income and \$0.1 million related to accruals for state and other taxes.

*Comparison of the nine months ended September 30, 2013 and September 30, 2012*

	Nine Months Ended September 30,		Net Change	
	2013	2012	Amount	%
	(dollars in millions)			
Total investment income	\$ 83.1	\$ 64.4	\$ 18.7	29%
Total expenses	(30.5)	(23.2)	(7.3)	32%
Net investment income	52.6	41.2	11.4	28%
Net realized gain (loss) from investments	(2.6)	5.3	(7.9)	
Net realized loss from SBIC debentures	(4.8)		(4.8)	
Net realized income	45.2	46.5	(1.3)	(3)%
Net change in unrealized appreciation (depreciation) from:				
Portfolio investments	30.9	44.1	(13.2)	
SBIC debentures, marketable securities and idle funds and investment in the Investment Manager	2.9	(3.6)	6.5	
Total net change in unrealized appreciation	33.8	40.5	(6.7)	
Income tax provision	(3.3)	(7.0)	3.7	
Noncontrolling interest		(0.1)	0.1	
Net increase in net assets resulting from operations attributable to common stock	\$ 75.7	\$ 79.9	\$ (4.2)	(5)%

Net investment income	\$ 52.6	\$ 41.2	\$ 11.4	28%
Share-based compensation expense	3.3	1.9	1.4	80%
Distributable net investment income (a)	55.9	43.1	12.8	30%
Net realized gain (loss) from investments	(2.6)	5.3	(7.9)	

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Net realized loss from SBIC debentures	(4.8)			(4.8)	
Distributable net realized income (a)	48.5	48.4	0.1	10%	
Distributable net investment income per share -					
Basic and diluted (a) (b)	\$ 1.57	\$ 1.50	\$ 0.07	5%	
Distributable net realized income per share -					
Basic and diluted (a) (b)	\$ 1.37	\$ 1.69	\$ (0.32)	(19)%	

(a) Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. We believe presenting distributable net investment income and distributable net realized income, and related per share amounts, is useful and appropriate supplemental disclosure of information for analyzing our financial

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performance since share-based compensation does not require settlement in cash. However, distributable net investment income and distributable net realized income are non-U.S. GAAP measures and should not be considered as a replacement to net investment income, net realized income, and other earnings measures presented in accordance with U.S. GAAP. Instead, distributable net investment income and distributable net realized income should be reviewed only in connection with such U.S. GAAP measures in analyzing our financial performance. A reconciliation of net investment income and net realized income in accordance with U.S. GAAP to distributable net investment income and distributable net realized income is presented in the table above.

(b) Per share amounts exclude the earnings attributable to the noncontrolling equity interests in MSC II not owned by Main Street for the periods prior to the completion of the Final MSC II Exchange during the first quarter of 2012.

*Investment Income*

For the nine months ended September 30, 2013, total investment income was \$83.1 million, a 29% increase over the \$64.4 million of total investment income for the corresponding period of 2012. This comparable period increase was principally attributable to (i) a \$16.4 million increase in interest income from higher average levels of portfolio debt investments and increased activity in the Investment Portfolio and (ii) a \$3.0 million increase in dividend income from portfolio equity investments, partially offset by a \$0.5 million decrease in interest and dividend income from Marketable securities and idle funds investments. The \$18.7 million increase in investment income in the nine months ended September 2013 includes a \$2.3 million increase in the amount of investment income related to higher accelerated prepayment and repricing activity of certain Middle Market and Private Loan portfolio debt investments and Marketable securities and idle funds investments in the nine months ended September 30, 2013, partially offset by a \$1.8 million decrease in the amount of non-recurring investment income associated with debt repayment and financing activities in LMM portfolio investments included in investment income in the nine months ended September 30, 2013, in each case when compared to the same period in 2012.

*Expenses*

For the nine months ended September 30, 2013, total expenses increased to \$30.5 million from \$23.2 million for the corresponding period of 2012. This comparable period increase in operating expenses was principally attributable to (i) a \$3.4 million increase in interest expense primarily as a result of the issuance of the Notes and a higher average outstanding balance on the Credit Facility, (ii) higher compensation and related expenses of \$1.3 million, primarily as a result of additional personnel compared to the same period in the prior year, (iii) a \$1.2 million increase in other general and administrative expenses and (iv) an increase of \$1.4 million in share-based compensation, primarily due to the accelerated vesting of all the unvested shares of restricted stock in connection with the retirement of our former Executive Vice Chairman during the three months ended September 30, 2013. The ratio of our total operating expenses, excluding interest expense and excluding the effect of the accelerated vesting of restricted stock discussed above, as a percentage of our average total assets was 1.6% on an annualized basis for the nine months ended September 30, 2013, compared to 1.9% for the comparable period in the prior year. Including the effect of the accelerated vesting discussed above, the ratio would have been 1.8% for the nine months ended September 30, 2013.

*Distributable Net Investment Income*

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Distributable net investment income increased \$12.8 million to \$55.9 million, or \$1.57 per share, compared with \$43.1 million, or \$1.50 per share, in the corresponding period of 2012. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher operating expenses, due to the changes discussed above. The distributable net investment income on a per share basis for the nine months ended September 30, 2013 reflects the impact of a greater number of average shares outstanding compared to the corresponding period in 2012 primarily due to the June 2012, December 2012 and August 2013 follow-on equity offerings.

### *Net Investment Income*

Net investment income for the nine months ended September 30, 2013 was \$52.6 million, or a 28% increase, compared to net investment income of \$41.2 million for the corresponding period of 2012. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher operating expenses as discussed above.

### *Distributable Net Realized Income*

Distributable net realized income was \$48.5 million, or \$1.37 per share, for the nine months ended September 30, 2013 compared with \$48.4 million, or \$1.69 per share, in the corresponding period of 2012. The \$0.1 million increase was primarily attributable to higher distributable net investment income in the nine months ended September 30, 2013 compared to the

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corresponding period of 2012 as discussed above, partially offset by (i) a decrease in net realized gain (loss) from investments of \$7.9 million and (ii) a net realized loss of \$4.8 million in the net realized loss on the repayment of SBIC debentures issued to MSC II which have been accounted for on the fair value method of accounting under ASC 825. The \$2.6 million net realized loss from investments during the nine months ended September 30, 2013 was primarily attributable to (i) a realized loss of \$2.6 million on the restructuring of a LMM investment and (ii) a realized loss of \$1.8 million on the exit of a Middle Market investment, partially offset by (i) net realized gains on several Middle Market and Marketable securities and idle funds investments totaling \$1.0 million and (ii) a realized gain of \$0.8 million on the partial sale of a LMM investment.

*Net Realized Income*

The net realized loss from investments and the net realized loss from the SBIC debentures, partially offset by the higher net investment income, in the nine months ended September 30, 2013 compared to the corresponding period of 2012, in each case as discussed above, resulted in a \$1.3 million decrease in net realized income compared with the corresponding period of 2012.

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

The net increase in net assets resulting from operations attributable to common stock during the nine months ended September 30, 2013 was \$75.7 million, or \$2.13 per share, compared with \$79.9 million, or \$2.79 per share, in the corresponding period of 2012. This \$4.2 million decrease from the comparable period in the prior year was primarily the result of (i) the \$6.7 million decrease in the net change in unrealized appreciation to \$33.8 million for the nine months ended September 30, 2013, compared to \$40.5 million for the comparable period in the prior year and (ii) the decrease in net realized income due to the factors discussed above, partially offset by a \$3.7 million decrease in the net income tax provision for the nine months ended September 30, 2013 from the comparable period in the prior year. The total net change in unrealized appreciation for the nine months ended September 30, 2013 of \$33.8 million included (i) \$30.9 million of net unrealized appreciation from portfolio investments and (ii) the net unrealized appreciation of \$4.2 million on the SBIC debentures, which resulted from the \$4.8 million of accounting reversals of prior unrealized depreciation on the SBIC debentures in conjunction with the realized loss on the repayment of the SBIC debentures as discussed above, partially offset by net unrealized depreciation of \$0.6 million on the remaining SBIC debentures held by MSC II, partially offset by the net unrealized depreciation from Marketable securities and idle funds investments of \$1.3 million. The \$30.9 million net change in unrealized appreciation from portfolio investments for the nine months ended September 30, 2013 was principally attributable to (i) unrealized appreciation on 30 LMM portfolio investments totaling \$42.4 million, partially offset by unrealized depreciation on 17 LMM portfolio investments totaling \$13.0 million, (ii) \$2.7 million of net unrealized appreciation on the Middle Market investments and (iii) \$2.0 million of net unrealized appreciation on the Other portfolio, partially offset by accounting reversals of net unrealized appreciation from prior periods of \$3.6 million related to portfolio investment exits and repayments. The net income tax provision for the nine months ended September 30, 2013 of \$3.3 million related to deferred taxes of \$1.5 million and other taxes of \$1.8 million. The deferred taxes related primarily to net unrealized appreciation on equity investments held in our Taxable Subsidiaries. The other taxes include \$1.3 million related to an accrual for excise tax on our estimated spillover taxable income and \$0.5 million related to accruals for state and other taxes.

*Liquidity and Capital Resources*

*Cash Flows*

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For the nine months ended September 30, 2013, we experienced a net decrease in cash and cash equivalents in the amount of \$45.9 million. During the period, we used \$172.9 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our operating activities totaling \$44.9 million, which is our \$55.9 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$7.7 million, payment-in-kind interest income of \$3.5 million, cumulative dividends of \$1.0 million and the amortization expense for deferred financing costs of \$1.2 million, (ii) cash uses totaling \$592.4 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2012, which together total \$533.4 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2012, which together total \$53.1 million, and (c) \$5.8 million related to decreases in payables and accruals, and (iii) cash proceeds totaling \$374.5 million from (a) \$326.5 million in cash proceeds from the sales and repayments of debt and equity investments, (b) \$44.4 million of cash proceeds from the sale of Marketable securities and idle funds investments, and (c) decreases in other assets of \$3.6 million.

During the nine months ended September 30, 2013, \$127.0 million in cash was provided by financing activities, which principally consisted of \$131.5 million of net proceeds from the follow-on public equity offering in August 2013, \$92.0 million of proceeds from the issuance of the Notes, and \$34.0 million in net cash proceeds from our Credit Facility, partially offset by \$63.8

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million in repaid SBIC debentures, \$59.0 million in cash dividends paid to stockholders and \$5.3 million paid for deferred loan costs and SBIC debenture fees.

### *Capital Resources*

As of September 30, 2013, we had \$17.6 million in cash and cash equivalents, \$20.0 million in Marketable securities and idle funds investments and \$279.0 million of unused capacity under the Credit Facility, which we maintain to support our future investment and operating activities. As of September 30, 2013, our net asset value totaled \$794.2 million, or \$20.01 per share.

The Credit Facility was amended and restated during the three months ended September 30, 2013 to provide for an increase in total commitments from \$382.5 million to \$445.0 million and to increase the diversified group of lenders to thirteen lenders. The Credit Facility contains an accordion feature which allows us 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 our election, on a per annum basis equal to (i) the applicable LIBOR rate (0.18%, as of September 30, 2013) plus 2.25% or (ii) the applicable base rate (Prime Rate, 3.25% as of September 30, 2013) plus 1.25%. We pay 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 now provided on a revolving basis through the 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 September 30, 2013, we had \$166.0 million in borrowings outstanding under the Credit Facility. As of September 30, 2013, the interest rate on the Credit Facility was 2.4%, and we were in compliance with all financial covenants of the Credit Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time with no prepayment penalty. During the three months ended September 30, 2013, we voluntarily prepaid \$63.8 million of our SBIC debentures as part of an effort to manage the maturity dates of our oldest SBIC debentures. Main Street expects to issue new SBIC debentures under the SBIC program in the future in an amount up to the regulatory maximum amount of \$225.0 million. On September 30, 2013, we, through the Funds, had \$161.2 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average annual fixed interest rate of approximately 4.3%. The first maturity related to the SBIC debentures does not occur until 2017, and the remaining weighted average duration is approximately 6.8 years as of September 30, 2013.

In April, 2013, we issued \$92.0 million, including the underwriter's full exercise of the over-allotment option, in aggregate principal amount of the Notes. The Notes are unsecured obligations and rank pari passu with our current and future senior unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the

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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 our option on or after April 1, 2018. We may from time to time repurchase Notes in accordance with the 1940 Act and the rules promulgated thereunder. During the three months ended September 30, 2013, we repurchased \$1.1 million principal of the Notes in the open market for an aggregate purchase price of \$1.1 million and surrendered them to the Trustee for cancellation. As of September 30, 2013, the outstanding balance of the Notes was \$90.9 million.

The indenture governing the Notes ( the Notes Indenture ) contains certain covenants, including covenants requiring our compliance with (regardless of whether we are 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 we cease 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.

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



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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek approval to sell shares of our common stock below the then current net asset value per share of our common stock from our stockholders at our 2013 annual meeting of stockholders because our common stock price per share has been trading significantly above the current net asset value per share of our common stock. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share if we desire to issue shares of our common stock at a price below the then current net asset value per share.

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

Although we have been able to secure access to additional liquidity, including recent public equity and note offerings, our expanded \$445 million Credit Facility, and the available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued Accounting Standards***

In January 2013, the Financial Accounting Standards Board issued Accounting Standards Update ( ASU ) 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ( ASU 2013-01 ). ASU 2013-01 limits the scope of the new balance sheet offsetting disclosure requirements to derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and certain securities borrowing and lending arrangements. Public companies are required to apply ASU 2013-01 prospectively for interim and annual reporting periods beginning after January 1, 2013.

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update ( 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.

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In February 2013, the Financial Accounting Standards Board 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 ( 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.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe 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 our financial statements upon adoption.

Table of Contents***Inflation***

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

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At September 30, 2013, we had a total of \$99.2 million in outstanding commitments comprised of (i) nine commitments to fund revolving loans that had not been fully drawn and (ii) five capital commitments that had not been fully called.

***Contractual Obligations***

As of September 30, 2013, the future fixed commitments for cash payments in connection with our SBIC debentures and the Notes for each of the next five years and thereafter are as follows:

	2013	2014	2015	2016	2017	2018 and thereafter	Total
	(dollars in thousands)						
SBIC debentures	\$	\$	\$	\$	\$ 15,000	\$ 146,200	\$ 161,200
Interest due on SBIC debentures		7,002	7,002	7,022	7,002	17,690	45,718
Notes						90,882	90,882
Interest due on Notes	1,393	5,566	5,566	5,566	5,566	30,616	54,273
Total	\$ 1,393	\$ 12,568	\$ 12,568	\$ 12,588	\$ 27,568	\$ 285,388	\$ 352,073

As of September 30, 2013, we had \$166 million in borrowings outstanding under our Credit Facility and the Credit Facility is currently scheduled to mature in September 2018. The Credit Facility contains two, one year extension options which could extend the maturity to September 2020. See further discussion of the Credit Facility terms in *Liquidity and Capital Resources* *Capital Resources* .

***Related Party Transactions***

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Subsequent to the completion of the Formation Transactions, the Investment Manager was treated as a wholly owned portfolio company of MSCC and was included as part of our Investment Portfolio through March 31, 2013. At December 31, 2012, the Investment Manager had a receivable of \$4.1 million due from MSCC related to operating expenses incurred by the Investment Manager required to support our business. Beginning April 1, 2013, the accounts of the Investment Manager are included as a part of our consolidated financial statements and the Investment Manager is reflected as a consolidated subsidiary, as opposed to being a part of our Investment Portfolio, and any intercompany balances between the Investment Manager and MSCC or any of its other consolidated subsidiaries have been eliminated in consolidation.

In June 2013, we adopted a deferred compensation plan for the non-employee members of our board of directors, which allows the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of our common stock within 90 days after the participant's end of service as a director. As of September 30, 2013, \$275,000 of directors' fees had been deferred under this plan. These deferred fees represented 9,858 shares of our common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but will be included in operating expenses and weighted average shares outstanding on our consolidated statement of operations as earned.

### *Recent Developments*

In October 2013, we closed a new portfolio investment totaling \$9.2 million of invested capital in Glowpoint, Inc. (NYSE MKT: GLOW) (Glowpoint). Our investment in Glowpoint consists of \$9.0 million in first lien senior, secured term debt and \$0.2 million funded on a \$2.0 million revolving credit facility. We previously completed a \$3.75 million indirect investment in Glowpoint's common equity. The proceeds of our debt investment enabled Glowpoint to refinance its current senior debt obligations and provided additional working capital to the company. Glowpoint is a leading provider of cloud managed video collaboration,

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network, and support services to large enterprises and mid-sized companies to support their unified communications strategies and business goals. Glowpoint was founded in 1991 and is headquartered in Murray Hill, New Jersey.

In October 2013, we led the syndication of a \$50.0 million first lien, senior secured credit facility (the Facility) for AM3 Pinnacle Corporation (AM3 Pinnacle). Our participation in the Facility was \$22.5 million. In conjunction with our investment in the Facility, we previously completed a \$2.0 million equity investment in AM3 Pinnacle. The proceeds of the Facility and our equity investment supported AM3 Pinnacle's acquisition of certain assets from MDU Communications International, Inc. and provided additional working capital to the company. AM3 Pinnacle is the parent company of Access Media 3, Inc. (AM3), one of the leading providers of comprehensive Internet, TV and voice services for multi-dwelling unit properties, including design, installation, maintenance and service management. AM3 was founded in 2006 and is based in Oak Brook, Illinois.

During November 2013, we declared regular monthly dividends of \$0.165 per share for each month of January, February and March of 2014. These regular monthly dividends equal a total of \$0.495 per share for the first quarter of 2014. The first quarter 2014 regular monthly dividends represent a 10% increase from the regular monthly dividends declared for the first quarter of 2013. Including the regular monthly dividends declared for the first quarter of 2014, we will have paid \$10.93 per share in cumulative dividends since our October 2007 initial public offering.

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

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from the Investment Portfolio and Marketable securities and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The majority of our debt investments are made with either fixed interest rates or floating rates that are subject to contractual minimum interest rates for the term of the investment. As of September 30, 2013, approximately 50% of our debt investment portfolio (at cost) bore interest at floating rates with 99% of those floating-rate debt investments (at cost) subject to contractual minimum interest rates. As of September 30, 2013, none of our Marketable securities and idle funds investments bore interest at floating rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the long term interest rates on our outstanding SBIC debentures and our 6.125% Notes, which comprise the majority of our outstanding debt, are fixed for the 10-year life of such debt. As of September 30, 2013, we had not entered into any interest rate hedging arrangements. At September 30, 2013, based on the applicable levels of our Credit Facility and floating-rate debt investments, a 1% change in interest rates would not have a material effect on our level of net investment income.

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman, Chief Executive Officer and President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, our Chairman, Chief Executive Officer and President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to us that is required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934. There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over

financial reporting.

**PART II OTHER INFORMATION**

**Item 1. *Legal Proceedings***

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

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**Item 1A. Risk Factors**

There have been no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012 that we filed with the SEC on March 8, 2013, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 that we filed with the SEC on August 9, 2013, except as described below.

*A failure or the perceived risk of a failure to raise the statutory debt limit of the United States could have a material adverse effect on our business, financial condition and results of operations.*

As has been widely reported, the United States Treasury Secretary has stated that the federal government may not be able to meet its debt payments in the relatively near future (currently February 2014) unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted and the debt ceiling is reached, the federal government may stop or delay making payments on its obligations. A failure by Congress to raise the debt limit would increase the risk of default by the United States on its obligations, as well as the risk of other economic dislocations. If the U.S. Government fails to complete its budget process or to provide for a continuing resolution before the expiration of the current continuing resolution (currently January 2014), another federal government shutdown may result. Such a failure or the perceived risk of such a failure consequently could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. It could also limit our ability and the ability of our portfolio companies to obtain financing, including our ability to issue debentures pursuant to the SBIC program, and it could have a material adverse effect on the valuation of our portfolio companies. Consequently, the continued uncertainty in the general economic environment, including the recent government shutdown and potential debt ceiling implications, as well in specific economies of several individual geographic markets in which our portfolio companies operate, could adversely affect our business, financial condition and results of operations.

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

During the three months ended September 30, 2013, we issued 104,240 shares of our common stock under our dividend reinvestment plan pursuant to an exemption from the registration requirements of the Securities Act of 1933. The aggregate value for the shares of common stock issued during the three months ended September 30, 2013 under the dividend reinvestment plan was approximately \$3.2 million.

**Item 6. Exhibits**

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

Exhibit Number	Description of Exhibit
10.1*	Second Amended and Restated Credit Agreement dated September 27, 2013 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723)).

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- 10.2\* Second Amended and Restated General Security Agreement dated September 27, 2013 (previously filed as Exhibit 10.2 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723)).
- 10.3\* Second Amended and Restated Equity Pledge Agreement dated September 27, 2013 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed on October 1, 2013 (File No. 1-33723)).
- 10.4\* Supplement and Joinder Agreement to Amended and Restated Credit Agreement dated August 31, 2013 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed September 3, 2013 (File No. 1-33723)).
- 14.1 Code of Business Conduct and Ethics.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).



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32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

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\* Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.

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**SIGNATURES**

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

**Main Street Capital Corporation**

Date: November 8, 2013

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

Date: November 8, 2013

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

Date: November 8, 2013

/s/ Shannon D. Martin  
Shannon D. Martin  
Vice President and Chief Accounting Officer (principal accounting officer)

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
14.1	Code of Business Conduct and Ethics.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).