

Main Street Capital CORP
Form 10-Q
August 09, 2013
Table of Contents

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 June 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

(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 August 8, 2013 was 35,040,016.

Table of Contents

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets – June 30, 2013 (unaudited) and December 31, 2012</u>	1
	<u>Consolidated Statements of Operations (unaudited) – Three and six months ended June 30, 2013 and 2012</u>	2
	<u>Consolidated Statements of Changes in Net Assets (unaudited) – Six months ended June 30, 2013 and 2012</u>	3
	<u>Consolidated Statements of Cash Flows (unaudited) – Six months ended June 30, 2013 and 2012</u>	4
	<u>Consolidated Schedule of Investments (unaudited) – June 30, 2013</u>	5
	<u>Consolidated Schedule of Investments – December 31, 2012</u>	19
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	32
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	59
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	79
<u>Item 4.</u>	<u>Controls and Procedures</u>	79

PART II
OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	79
<u>Item 1A.</u>	<u>Risk Factors</u>	79
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	79
<u>Item 5.</u>	<u>Other Information</u>	79
<u>Item 6.</u>	<u>Exhibits</u>	79
	<u>Signatures</u>	81

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(in thousands, except shares and per share amounts)**

	June 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: \$235,029 and \$217,483 as of June 30, 2013 and December 31, 2012, respectively)	\$ 302,558	\$ 278,475
Affiliate investments (cost: \$187,622 and \$142,607 as of June 30, 2013 and December 31, 2012, respectively)	230,293	178,413
Non-Control/Non-Affiliate investments (cost: \$567,997 and \$456,975 as of June 30, 2013 and December 31, 2012, respectively)	581,244	467,543
Investment in affiliated Investment Manager (cost: \$2,668 as of December 31, 2012)		
Total portfolio investments (cost: \$990,648 and \$819,733 as of June 30, 2013 and December 31, 2012, respectively)	1,114,095	924,431
Marketable securities and idle funds investments (cost: \$22,502 and \$28,469 as of June 30, 2013 and December 31, 2012, respectively)	21,759	28,535
Total investments (cost: \$1,013,150 and \$848,202 as of June 30, 2013 and December 31, 2012, respectively)	1,135,854	952,966
Cash and cash equivalents	41,220	63,517
Interest receivable and other assets	12,168	14,580
Receivable for securities sold	31,213	
Deferred financing costs (net of accumulated amortization of \$3,430 and \$3,203 as of June 30, 2013 and December 31, 2012, respectively)	7,994	5,162
Total assets	\$ 1,228,449	\$ 1,036,225
LIABILITIES		
SBIC debentures (par: \$225,000 as of June 30, 2013 and December 31, 2012, par of \$100,000 is recorded at a fair value of \$87,123 and \$86,467 as of June 30, 2013 and December 31, 2012, respectively)	\$ 212,123	\$ 211,467
Credit facility	215,000	132,000
Notes payable	92,000	
Payable for securities purchased	26,605	20,661
Deferred tax liability, net	11,006	11,778
Accounts payable and other liabilities	5,782	4,527

Edgar Filing: Main Street Capital CORP - Form 10-Q

Interest payable	5,626	3,562
Dividend payable	4,924	5,188
Payable to affiliated Investment Manager		4,066
Total liabilities	573,066	393,249
Commitments and contingencies (Note M)		
NET ASSETS		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 35,014,302 and 34,589,484 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively)	350	346
Additional paid-in capital	553,011	544,136
Accumulated net investment income, net of cumulative dividends of \$159,506 and \$115,401 as of June 30, 2013 and December 31, 2012, respectively	26,879	35,869
Accumulated net realized gain from investments (accumulated net realized gain from investments of of \$10,241 before cumulative dividends of \$28,993 as of June 30, 2013 and accumulated net realized gain from investments of \$9,838 before cumulative dividends of \$28,993 as of December 31, 2012)	(18,752)	(19,155)
Net unrealized appreciation, net of income taxes	93,895	81,780
Total net assets	655,383	642,976
Total liabilities and net assets	\$ 1,228,449	\$ 1,036,225
NET ASSET VALUE PER SHARE	\$ 18.72	\$ 18.59

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
INVESTMENT INCOME:				
Interest, fee and dividend income:				
Control investments	\$ 8,169	\$ 6,083	\$ 14,703	\$ 11,850
Affiliate investments	5,399	4,141	11,060	9,814
Non-Control/Non-Affiliate investments	13,862	10,101	27,000	18,248
Interest, fee and dividend income	27,430	20,325	52,763	39,912
Interest and dividends from marketable securities, idle funds and other	370	517	681	1,489
Total investment income	27,800	20,842	53,444	41,401
EXPENSES:				
Interest	(5,542)	(4,180)	(9,424)	(8,044)
Compensation	(2,574)		(2,574)	
General and administrative	(1,249)	(554)	(1,937)	(1,162)
Expenses reimbursed to affiliated Investment Manager		(2,702)	(3,189)	(5,359)
Share-based compensation	(602)	(580)	(1,205)	(1,161)
Total expenses	(9,967)	(8,016)	(18,329)	(15,726)
NET INVESTMENT INCOME	17,833	12,826	35,115	25,675
NET REALIZED GAIN (LOSS) FROM INVESTMENTS:				
Control investments		(96)		(2,061)
Affiliate investments		(3,732)		5,500
Non-Control/Non-Affiliate investments	483	174	140	337
Marketable securities and idle funds investments	322	325	263	1,033
Total net realized gain (loss) from investments	805	(3,329)	403	4,809
NET REALIZED INCOME	18,638	9,497	35,518	30,484
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):				
Portfolio investments	6,337	17,515	16,415	22,023
Marketable securities and idle funds investments	(743)	(55)	(810)	(84)
SBIC debentures	555	(1,808)	(657)	(1,508)
Investment in affiliated Investment Manager				(51)
Total net change in unrealized appreciation	6,149	15,652	14,948	20,380
INCOME TAXES:				
Federal and state income, excise, and other taxes	(752)	(601)	(1,422)	(1,270)
Deferred taxes	(31)	(395)	(1,411)	(1,602)
Income tax provision	(783)	(996)	(2,833)	(2,872)
	24,004	24,153	47,633	47,992

Edgar Filing: Main Street Capital CORP - Form 10-Q

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS					
Noncontrolling interest					(54)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK					
	\$	24,004	\$	24,153	\$ 47,633 \$ 47,938
NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED					
	\$	0.51	\$	0.47	\$ 1.01 \$ 0.94
NET REALIZED INCOME PER SHARE - BASIC AND DILUTED					
	\$	0.54	\$	0.35	\$ 1.02 \$ 1.12
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE - BASIC AND DILUTED					
	\$	0.69	\$	0.88	\$ 1.37 \$ 1.77
DIVIDENDS PAID PER SHARE:					
Regular monthly dividends	\$	0.47	\$	0.42	\$ 0.92 \$ 0.83
Supplemental dividends					0.35
Total	\$	0.47	\$	0.42	\$ 1.27 \$ 0.83
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED					
		34,803,729		27,365,758	34,751,905 27,118,421

The accompanying notes are an integral part of these financial statements

Table of Contents

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
Balances at December 31, 2011	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	92,913				92,956		92,956
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			1,161				1,161		1,161
Purchase of vested stock for employee payroll tax withholding	(7,858)		(199)				(199)		(199)
Dividend reinvestment	200,961	2	4,712				4,714		4,714
Issuance of restricted stock	139,033	1	(1)						
Distributions to noncontrolling interest								(114)	(114)
Dividends to stockholders				(9,068)	(13,523)		(22,591)		(22,591)
Net increase resulting from operations				25,675	4,809	17,508	47,992		47,992
Noncontrolling interest						(54)	(54)	54	
Balances at June 30, 2012	31,588,654	\$ 315	\$ 462,462	\$ 29,138	\$ (29,159)	\$ 70,648	\$ 533,404	\$	\$ 533,404
Balances at December 31, 2012	34,589,484	\$ 346	\$ 544,136	\$ 35,869	\$ (19,155)	\$ 81,780	\$ 642,976	\$	\$ 642,976
Share-based compensation			1,205				1,205		1,205
Purchase of vested stock for employee payroll tax withholding	(19,460)		(523)				(523)		(523)
Dividend reinvestment	173,926	2	5,580				5,582		5,582
Issuance of restricted stock	252,227	2	(2)						
Consolidation of Investment Manager			2,037				2,037		2,037
Issuances of common stock	18,125		578				578		578
Dividends to stockholders				(44,105)			(44,105)		(44,105)
Net increase resulting from operations				35,115	403	12,115	47,633		47,633
Balances at June 30, 2013	35,014,302	\$ 350	\$ 553,011	\$ 26,879	\$ (18,752)	\$ 93,895	\$ 655,383	\$	\$ 655,383

Edgar Filing: Main Street Capital CORP - Form 10-Q

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 47,633	\$ 47,992
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Investments in portfolio companies	(353,620)	(261,019)
Proceeds from sales and repayments of debt investments	178,750	131,852
Proceeds from sale of equity investments in portfolio companies		26,547
Investments in marketable securities and idle funds investments	(52,503)	(7,596)
Proceeds from marketable securities and idle funds investments	42,469	27,212
Net change in unrealized appreciation	(14,948)	(20,380)
Net realized (gain) loss from investments	(403)	(4,809)
Accretion of unearned income	(5,079)	(6,405)
Payment-in-kind interest	(2,368)	(1,529)
Cumulative dividends	(467)	(133)
Share-based compensation expense	1,205	1,161
Amortization of deferred financing costs	538	467
Deferred taxes	1,411	1,622
Changes in other assets and liabilities:		
Interest receivable and other assets	2,913	(346)
Interest payable	2,064	(100)
Payable to affiliated Investment Manager	(3,960)	(2,071)
Accounts payable and other liabilities	(330)	553
Deferred fees and other	1,500	623
Net cash provided by (used in) operating activities	(155,195)	(66,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public offering of common stock, net of offering costs		92,956
Proceeds from public offering of 6.125% Notes	92,000	
Dividends paid to stockholders	(38,787)	(17,528)
Proceeds from credit facility	250,000	114,000
Repayments on credit facility	(167,000)	(133,000)
Payment of deferred loan costs and SBIC debenture fees	(3,370)	(292)
Other	55	(451)
Net cash provided by (used in) financing activities	132,898	55,685
Net increase (decrease) in cash and cash equivalents	(22,297)	(10,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,517	42,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 41,220	\$ 31,976
Supplemental cash flow disclosures:		
Interest Paid	\$ 6,827	\$ 7,677
Taxes paid	\$ 4,466	\$ 473

Edgar Filing: Main Street Capital CORP - Form 10-Q

Non-cash financing activities:

Shares issued pursuant to the DRIP	\$	5,580	\$	4,714
------------------------------------	----	-------	----	-------

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2013

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Control Investments (5)</u>					
Bond-Coat, Inc.	Casing and Tubing Coating Services	12% Secured Debt (Maturity - December 28, 2017)	14,750	14,565	14,565
		Common Stock (Fully diluted 43.4%)		6,350	7,150
				20,915	21,715
Café Brazil, LLC	Casual Restaurant Group	Member Units (Fully diluted 69.0%) (8)		1,742	6,770
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity - October 17, 2015)	8,103	7,942	8,094
		Warrants (Fully diluted 21.3%)		1,193	3,380
		Common Stock (Fully diluted 9.8%)		1,177	1,560
				10,312	13,034
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	Member Units (Fully diluted 41.6%) (8)		1,300	9,650
Ceres Management, LLC (Lamb's Tire & Automotive)	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity - May 31, 2018)	4,000	4,000	4,000
		Class B Member Units (12% cumulative) (8)		3,100	3,100
		Member Units (Fully diluted 100.0%)		5,273	510
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity - October 1, 2025)	1,041	1,041	1,041
		Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)		625	730
				14,039	9,381
Condit Exhibits, LLC	Tradeshow Exhibits / Custom Displays	13% Current / 5% PIK Secured Debt (Maturity - July 1, 2013)	4,661	4,661	4,661
		Warrants (Fully diluted 47.9%)		320	1,400

Edgar Filing: Main Street Capital CORP - Form 10-Q

			4,981	6,061
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products			
		9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity - June 30, 2017)	919	919
		Member Units (Fully diluted 34.2%) (8)	2,980	12,660
			3,899	13,579
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators			
		9% Secured Debt (Maturity - June 4, 2015)	4,896	4,591
		Preferred Stock (8% cumulative) (8)		1,124
		Common Stock (Fully diluted 34.5%) (8)		718
			6,433	7,360
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing			
		Member Units (Fully diluted 47.6%) (8)		589
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215
			1,804	2,330

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Prime Plus 1%, Current Coupon 9%, Secured Debt (Maturity - October 31, 2013) (9)	375	375	375
		Common Stock (Fully diluted 94.2%) (8)		7,095	13,350
				7,470	13,725
Impact Telecom, Inc.	Telecommunications Services	LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity - May 31, 2018)	2,500	2,493	2,493
		13% Secured Debt (Maturity - May 31, 2018)	22,500	14,233	14,233
		Warrants (Fully diluted 40.0%)		8,000	8,000
				24,726	24,726
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity - September 15, 2014)	3,850	3,734	3,850
		Warrants (Fully diluted 30.1%)		1,129	1,940
				4,863	5,790
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (9)	1,597	1,597	1,597
		13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013)	1,657	1,657	1,657
		Member Units (Fully diluted 60.8%) (8)		811	2,770
				4,065	6,024
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity - August 22, 2014)	1,784	1,784	1,784
		Preferred Stock (non-voting)		476	162
		Warrants (Fully diluted 7.1%)		54	
		Common Stock (Fully diluted 70.0%) (8)		100	
				2,414	1,946
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity - December 28, 2017)	10,250	10,060	10,060
		Preferred Stock (Fully diluted 26.7%)		3,750	3,750
				13,810	13,810
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger- Jointed Lumber Products	10% Secured Debt (Maturity - December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity - December 18, 2017)	3,900	3,900	3,900
		9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025)	994	994	994
		Warrants (Fully diluted 9.2%)		90	800

Edgar Filing: Main Street Capital CORP - Form 10-Q

		Member Units (Fully diluted 42.9%)	1,042	3,850
		Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (8)	250	270
			8,026	11,564
NAPCO Precast, LLC	Precast Concrete Manufacturing			
		Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2016) (9)	2,923	2,886
		18% Secured Debt (Maturity - February 1, 2016)	4,468	4,408
		Member Units (Fully diluted 44.0%)		2,975
			10,269	12,084
NRI Clinical Research, LLC	Clinical Research Center			
		14% Secured Debt (Maturity - September 8, 2016)	4,595	4,395
		Warrants (Fully diluted 12.5%) (8)		252
		Member Units (Fully diluted 24.8%) (8)		500
			5,147	5,835
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies			
		12% Secured Debt (Maturity - December 22, 2016)	12,100	11,288
		Warrants (Fully diluted 12.2%)		817
		Member Units (Fully diluted 43.2%) (8)		2,900
			15,005	17,760

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (Fully diluted 48.0%)		1,080	8,740
Pegasus Research Group, LLC (Televerde)	Telemarketing and Data Services	15% Secured Debt (Maturity - January 6, 2016) Member Units (Fully diluted 43.7%) (8)	4,991	4,952 1,250 6,202	4,991 4,800 9,791
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity - June 10, 2015) Common Stock (Fully diluted 51.1%)	8,310	8,265 2,150 10,415	8,310 6,080 14,390
Principle Environmental, LLC	Noise Abatement Services	12% Secured Debt (Maturity - February 1, 2016) 12% Current / 2% PIK Secured Debt (Maturity - February 1, 2016) Warrants (Fully diluted 14.2%) Member Units (Fully diluted 22.6%)	3,506 3,931	2,987 3,878 1,200 1,863 9,928	3,506 3,925 3,860 6,150 17,441
River Aggregates, LLC	Processor of Construction Aggregates	12% Secured Debt (Maturity - March 30, 2016) (14) Warrants (Fully diluted 20.0%) Member Units (Fully diluted 40.0%) Member Units (RA Properties, LLC) (Fully diluted 50.0%)	3,860	3,662 202 550 269 4,683	2,250 269 2,519
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	4.5% Current / 4.5% PIK Secured Debt (Maturity - October 2, 2013) 6% Current / 6% PIK Secured Debt (Maturity - October 2, 2013) Warrants (Fully diluted 52.3%)	1,079 5,639	1,079 5,621 1,096 7,796	1,079 5,451 6,530
Thermal and Mechanical Equipment, LLC	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (9) 13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)	818 2,607	816 2,593 1,000	818 2,607 10,080

Edgar Filing: Main Street Capital CORP - Form 10-Q

		Member Units (Fully diluted 52.6%) (8)		4,409	13,505
Uvalco Supply, LLC	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%) (8)		1,113	3,230
Van Gilder Insurance Corporation	Insurance Brokerage	8% Current / 3% PIK Secured Debt (Maturity - January 31, 2014)	878	878	878
		8% Current / 3% PIK Secured Debt (Maturity - January 31, 2016)	1,187	1,177	1,177
		13% Current / 3% PIK Secured Debt (Maturity - January 31, 2016)	6,243	5,518	5,518
		Warrants (Fully diluted 10.0%)		1,209	1,510
		Common Stock (Fully diluted 15.5%)		2,500	2,350
				11,282	11,433
Vision Interests, Inc.	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity - December 23, 2016)	3,204	3,152	3,152
		Series A Preferred Stock (Fully diluted 50.9%)		3,000	2,000
		Common Stock (Fully diluted 19.1%)		3,706	60
				9,858	5,212
Ziegler s NYPD, LLC	Casual Restaurant Group	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (9)	1,000	999	999
		13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)	5,449	5,444	5,444
		Warrants (Fully diluted 46.6%)		600	180
				7,043	6,623
Subtotal Control Investments (26.6% of total investments at fair value)				235,029	302,558

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2013

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Affiliate Investments (6)</u>					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors	Warrants (Fully diluted 19.6%)		50	5,600
Bridge Capital Solutions Corporation	Financial Services and Cash Flow Solutions	13% Secured Debt (Maturity - April 17, 2017)	5,000	4,776	4,776
		Warrants (Fully diluted 7.5%)		200	390
				4,976	5,166
Congruent Credit Opportunities Fund II, LP (12) (13)	Investment Partnership	LP Interests (Fully diluted 19.8%) (8)		22,536	22,996
Daseke, Inc.	Specialty Transportation Provider	Common Stock (Fully diluted 12.6%)		3,213	10,260
Dos Rios Partners (12) (13)	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
East Teak Fine Hardwoods, Inc.	Hardwood Products	Common Stock (Fully diluted 5.0%) (8)		480	380
Freeport Financial SBIC Fund LP (12) (13)	Investment Partnership	LP Interests (Fully diluted 9.9%)		297	297
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	14% Secured Debt (Maturity - November 21, 2016)	12,165	11,692	11,692
		Warrants (Fully diluted 22.5%)		400	240
				12,092	11,932
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%) (8)		635	8,660

Edgar Filing: Main Street Capital CORP - Form 10-Q

Indianhead Pipeline Services, LLC	Pipeline Support Services	12% Secured Debt (Maturity - February 6, 2017)	8,275	7,802	8,271
		Preferred Equity (8% cumulative) (8)		1,750	1,750
		Warrants (Fully diluted 10.6%)		459	1,990
		Member Units (Fully diluted 12.1%) (8)		1	2,280
				10,012	14,291
Integrated Printing Solutions, LLC	Specialty Card Printing	13% Secured Debt (Maturity - September 23, 2016)	12,500	11,880	11,880
		Preferred Equity (Fully diluted 11.0%)		2,000	2,000
		Warrants (Fully diluted 8.0%)		600	860
				14,480	14,740
irth Solutions, LLC	Damage Prevention Technology Information Services	Member Units (Fully diluted 12.8%) (8)		624	2,990
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity - September 28, 2017)	9,000	8,920	9,000
		Member Units (Fully diluted 17.9%) (8)		341	5,680
				9,261	14,680

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Olympus Building Services, Inc.	Custodial / Facilities Services	12% Secured Debt (Maturity - March 27, 2014)	2,915	2,871	2,871
		12% Current / 3% PIK Secured Debt (Maturity - March 27, 2014)	1,029	1,029	1,029
		Warrants (Fully diluted 22.5%)		470	400
				4,370	4,300
OnAsset Intelligence, Inc.	Transportation Monitoring / Tracking Services	12% PIK Secured Debt (Maturity - June 30, 2014)	1,800	1,128	1,128
		Preferred Stock (7% cumulative) (Fully diluted 3.9%) (8)		1,752	2,500
		Warrants (Fully diluted 11.9%)		1,573	1,293
				4,453	4,921
OPI International Ltd. (13)	Oil and Gas Construction Services	Common Equity (Fully diluted 11.5%) (8)		1,371	4,971
PCI Holding Company, Inc.	Manufacturer of Industrial Gas Generating Systems	12% Current / 4% PIK Secured Debt (Maturity - December 18, 2017)	4,857	4,769	4,769
		Preferred Stock (20% cumulative) (Fully diluted 19.4%) (8)		1,669	1,669
				6,438	6,438
Quality Lease and Rental Holdings, LLC	Rigsite Accommodation Unit Rental and Related Services	12% Secured Debt (Maturity - January 8, 2018)	37,350	36,822	36,822
		Preferred Member Units (Rocacia LLC) (Fully diluted 20.0%)		2,500	2,500
				39,322	39,322
Radial Drilling Services Inc.	Oil and Gas Technology	12% Secured Debt (Maturity - November 23, 2016)	4,200	3,553	3,553
		Warrants (Fully diluted 24.0%)		758	560
				4,311	4,113
Samba Holdings, Inc.	Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity - November 17, 2016)	11,481	11,335	11,481
		Common Stock (Fully diluted 19.4%)		1,707	3,930
				13,042	15,411
Spectrio LLC	Audio Messaging Services				

Edgar Filing: Main Street Capital CORP - Form 10-Q

8% Secured Debt (Maturity - June 16, 2016)	280	280	280
12% Secured Debt (Maturity - June 16, 2016)	17,990	17,610	17,963
Warrants (Fully diluted 9.8%)		887	3,700
		18,777	21,943

SYNEO, LLC	Manufacturer of Specialty Cutting Tools and Punches	12% Secured Debt (Maturity - July 13, 2016)	4,300	4,228	4,228
		10% Secured Debt (Leadrock Properties, LLC) (Maturity - May 4, 2026)	1,440	1,413	1,413
		Member Units (Fully diluted 11.1%)		1,036	1,036
				6,677	6,677
Texas Reexcavation LC	Hydro Excavation Services	12% Current / 3% PIK Secured Debt (Maturity - December 31, 2017)	6,091	5,980	5,980
		Class A Member Units (Fully diluted 16.3)%		2,900	2,900
			8,880	8,880	
Subtotal Affiliate Investments (20.3% of total investments at fair value)				187,622	230,293

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2013

(in thousands)

(Unaudited)

Portfolio Company (1) <u>Non-Control/Non-Affiliate Investments (7)</u>	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
AGS LLC (10)	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - August 23, 2016) (9)	10,000	9,837	9,837
Ameritech College Operations, LLC	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity - March 9, 2017)	6,050	5,951	6,050
AM General LLC (11)	Specialty Vehicle Manufacturer	LIBOR Plus 9.00%, Current Coupon 10.25%, Secured Debt (Maturity - March 22, 2018) (9)	3,000	2,913	3,008
American Media, Inc. (11)	Magazine Operator	11.50% Secured Bond (Maturity - December 15, 2017)	2,000	1,862	1,939
Ancestry.com Inc. (11)	Genealogy Software Service	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - December 27, 2018) (9)	3,644	3,508	3,651
Anchor Hocking, LLC (11)	Household Products Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - May 21, 2020) (9)	7,000	6,931	7,064
Apria Healthcare Group, Inc. (11)	Home Healthcare Equipment	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - April 5, 2020) (9)	5,500	5,446	5,515
Artel, LLC (11)	Land-Based and Commercial Satellite Provider		4,875	4,831	4,851

Edgar Filing: Main Street Capital CORP - Form 10-Q

		LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)			
Atkins Nutritionals Holdings II, Inc. (11)	Weight Management Food Products	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - January 2, 2019) (9)	1,995	1,995	2,001
Audio Visual Services Group, Inc. (11)	Hotel & Venue Audio Visual Operator	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - November 9, 2018) (9)	4,963	4,871	5,012
		LIBOR Plus 9.50%, Current Coupon 10.75%, Secured Debt (Maturity - May 9, 2019) (9)	5,000	4,906 9,777	5,000 10,012
B. J. Alan Company	Retailer and Distributor of Consumer Fireworks	14% Current / 2.5% PIK Secured Debt (Maturity - June 22, 2017)	11,093	11,008	11,008
BBTS Borrower LP (11)	Oil & Gas Exploration and Midstream Services	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - June 4, 2019) (9)	7,000	6,931	6,974
Blackboard, Inc. (11)	Education Software Provider	LIBOR Plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity - October 4, 2018) (9)	1,355	1,355	1,371
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - April 4, 2019) (9)	2,000	1,859 3,214	2,040 3,411

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Brand Connections, LLC	Venue-Based Marketing and Media	12% Secured Debt (Maturity - April 30, 2015)	7,463	7,351	7,463
Brasa Holdings Inc. (11)	Upscale Full Service Restaurants	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - July 18, 2019) (9)	3,483	3,395	3,526
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - January 19, 2020) (9)	6,000	5,934 9,329	6,120 9,646
Calloway Laboratories, Inc. (10)	Health Care Testing Facilities	10.00% Current / 2.00% PIK Secured Debt (Maturity - September 30, 2014) Warrants (Fully diluted 1.5%)	6,020	5,939 17 5,956	5,575 17 5,592
CDC Software Corporation (11)	Enterprise Application Software	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - August 6, 2018) (9)	4,218	4,181	4,223
Cedar Bay Generation Company LP (11)	Coal-Fired Cogeneration Plant	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 23, 2020) (9)	8,523	8,440	8,544
Charlotte Russe, Inc (11)	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 22, 2019) (9)	5,000	4,951	4,975
CHI Overhead Doors, Inc. (11)	Manufacturer of Overhead Garage Doors	LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity - March 18, 2019) (9)	2,404	2,368	2,410
		LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - September 18, 2019) (9)	2,500	2,460 4,828	2,525 4,935
Collective Brands Finance, Inc. (11)	Specialty Footwear Retailer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - September 20, 2019) (9)	2,494	2,494	2,531
Compact Power Equipment Centers Inc.	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - October 1, 2017) Series A Stock (8% cumulative) (Fully diluted 4.2%) (8)	3,800	3,782 960	3,782 1,749

Edgar Filing: Main Street Capital CORP - Form 10-Q

			4,742	5,531
Confie Seguros Holding II Co. (11)	Insurance Brokerage Firm	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - November 9, 2018) (9)	4,923	4,856
			4,923	4,923
CGSC of Delaware Holdings Corp. (11)	Insurance Brokerage Firm	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - October 16, 2020) (9)	2,000	1,970
			2,010	2,010
Connolly Holdings Inc. (11)	Audit Recovery Software	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - July 15, 2018) (9)	2,395	2,375
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - January 15, 2019) (9)	2,000	1,964
			4,339	4,442

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Creative Circle, LLC (11)	Professional Staffing Firm	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - September 28, 2017) (9)	8,933	8,852	8,955
CST Industries Inc. (11)	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	11,875	11,729	11,890
Diversified Machine, Inc. (11)	Automotive Component Supplier	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - December 21, 2017) (9)	1,989	1,953	2,029
Drilling Info, Inc.	Information Services for the Oil and Gas Industry	Common Stock (Fully diluted 2.3%)		1,335	6,420
EB Sports Corp. (10)	Sporting Goods Manufacturer	11.50% Secured Debt (Maturity - December 31, 2015)	10,000	10,000	9,950
Emerald Performance Materials, Inc. (11)	Specialty Chemicals Manufacturer	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 18, 2018) (9)	4,456	4,421	4,467
EnCap Energy Fund Investments (12) (13)	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%) (8)		2,374	2,491
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.3%)		1,134	1,185
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)		366	366
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)		1,611	1,611
				5,485	5,653
Engility Corporation (11) (13)	Defense Software	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 18, 2017) (9)	4,813	4,773	4,813
eResearch Technology, Inc. (11)	Provider of Technology-Driven Health Research	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - May 2, 2018) (9)	4,030	3,907	4,055
Fairway Group Acquisition Company (11) (13)	Specialty Food Retail Stores		3,980	3,980	3,988

Edgar Filing: Main Street Capital CORP - Form 10-Q

LIBOR Plus 4.00%, Current Coupon
5.00%, Secured Debt (Maturity -
August 17, 2018) (9)

Fender Musical Instruments Corporation (11)	Manufacturer of Musical Instruments	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - April 3, 2019) (9)	500	495	502
Fischbein Intermediary Corp. (11)	Packaging and Material Handling Equipment	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - May 1, 2019) (9)	5,000	4,976	5,025
FC Operating, LLC (10)	Christian Specialty Retail Stores	LIBOR Plus 10.75%, Current Coupon 12.00%, Secured Debt (Maturity - November 14, 2017) (9)	5,850	5,744	5,850
FishNet Security, Inc. (11)	Information Technology Value-Added Reseller	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - November 30, 2017) (9)	7,960	7,888	7,960
Fram Group Holdings, Inc. (11)	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (9)	964	961	958
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (9)	1,000	996 1,957	976 1,934
Gastar Exploration USA, Inc. (11)	Oil & Gas Exploration & Production	8.63% Secured Bond (Maturity - May 15, 2018)	1,000	1,000	960

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
GFA Brands, Inc. (11) (13)	Distributor of Health Food Products	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - July 2, 2018) (9)	6,773	6,655	6,798
Grupo Hima San Pablo, Inc. (11)	Tertiary Care Hospitals	LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity - January 31, 2018) (9) 13.75 Secured Debt (Maturity - July 31, 2018) (9)	4,988 2,000	4,893 1,904 6,797	4,888 1,950 6,838
Hayden Acquisition, LLC	Manufacturer of Utility Structures	8% Secured Debt (Maturity - July 1, 2013) (15)	1,800	1,781	
Healogics, Inc. (11)	Wound Care Management	Common Equity (Fully diluted 0.02%) (8)		50	50
Hearthside Food Solutions, LLC (11)	Contract Food Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 5, 2018) (9)	3,970	3,936	3,990
Heckmann Corporation (11) (13)	Water Treatment and Disposal Services	9.88% Unsecured Bond (Maturity - April 15, 2018)	3,500	3,500	3,649
Hudson Products Holdings, Inc. (11)	Manufacturer of Heat Transfer Equipment	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - June 7, 2017) (9)	4,255	4,222	4,289
iEnergizer Limited (11) (13)	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - May 1, 2019) (9)	7,000	6,874	6,913
Ipreo Holdings LLC (11)	Application Software for Capital Markets	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - August 5, 2017) (9)	5,637	5,569	5,700
iStar Financial Inc. (11) (13)	Real Estate Investment Trust	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - March 19, 2016) (9)	69	68	69
Ivy Hill Middle Market Credit Fund III, Ltd. (12) (13)	Investment Partnership	LIBOR Plus 6.50%, Current Coupon 6.70%, Secured Debt (Maturity - January 15, 2022)	2,000	1,692	2,000

Edgar Filing: Main Street Capital CORP - Form 10-Q

Jackson Hewitt Tax Service Inc. (11)	Tax Preparation Services	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - October 15, 2017) (9)	4,844	4,672	4,717
Joernes Healthcare, LLC (11)	Health Care Equipment & Supplies	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - March 28, 2018) (9)	6,500	6,438	6,468
Keypoint Government Solutions, Inc. (11)	Pre-Employment Screening Services	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2017) (9)	4,875	4,788	4,887
Learning Care Group (US) No. 2 Inc. (11)	Provider of Early Childhood Education	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - May 8, 2019) (9)	5,500	5,446	5,490
LKCM Headwater Investments I, L.P. (12) (13)	Investment Partnership	LP Interests (Fully diluted 2.27%) (8)		925	2,330

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Maverick Healthcare Group LLC (10)	Home Healthcare Products and Services	LIBOR Plus 9.00%, Current Coupon 10.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,888	4,888	4,906
Media Holdings, LLC (11) (13)	Internet Traffic Generator	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 27, 2014) (9)	5,000	5,341	5,358
MediMedia USA, Inc. (11)	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - November 20, 2018) (9)	5,500	5,337	5,466
Medpace Intermediateco, Inc. (11)	Clinical Trial Development and Execution	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - June 19, 2017) (9)	3,626	3,587	3,644
Metal Services LLC (11)	Steel Mill Services	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2017) (9)	4,988	4,898	5,020
Milk Specialties Company (11)	Processor of Nutrition Products	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - November 9, 2018) (9)	4,988	4,942	5,037
Miramax Film NY, LLC (11)	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2)%		500	719
Mitel US Holdings, Inc. (11)	Enterprise IP Telephone Provider	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - February 27, 2019) (9)	3,990	3,952	4,000
Modern VideoFilm, Inc. (10)	Post-Production Film Studio	LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - December 19, 2017) (9) Warrants (Fully diluted 2.5%)	5,139	4,928 151 5,079	4,785 1 4,786
National Vision, Inc. (11)	Discount Optical Retailer	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - August 2, 2018) (9)	3,209	3,167	3,225
Neenah Foundry Company (11)					

Edgar Filing: Main Street Capital CORP - Form 10-Q

	Operator of Iron Foundries	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - April 26, 2017) (9)	7,500	7,355	7,505
NGPL PipeCo, LLC (11)	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	8,582	8,466	8,547
Nice-Pak Products, Inc. (11)	Pre-Moistened Wipes Manufacturer	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - June 18, 2014) (9)	4,972	4,888	4,798
NCP Investment Holdings, Inc.	Management of Outpatient Cardiac Cath Labs	Class A and C Units (Fully diluted 3.3)% (8)		20	2,580
North American Breweries Holdings, LLC (11)	Operator of Specialty Breweries	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - December 11, 2018) (9)	3,990	3,916	4,005
Northland Cable Television, Inc. (11)	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,738	4,647	4,690

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Oberthur Technologies SA (11) (13)	Smart Card, Printing, Identity, and Cash Protection Security	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - November 30, 2018) (9)	6,930	6,636	6,901
Orbitz Worldwide, Inc. (11) (13)	Online Travel Agent	LIBOR Plus 3.50%, Current Coupon 4.50%, Secured Debt (Maturity - September 20, 2017) (9) LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity - March 20, 2019) (9)	1,333 1,167	1,333 2,500	1,343 1,173 2,516
Otter Products, LLC (11)	Protective Cases for Mobile Devices	LIBOR Plus 4.25%, Current Coupon 5.25%, Secured Debt (Maturity - April 29, 2019) (9)	1,000	1,001	1,004
Panolam Industries International, Inc. (11)	Decorative Laminate Manufacturer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - August 23, 2017) (9)	3,946	3,912	3,933
Permian Holdings, Inc. (11)	Storage Tank Manufacturer	10.50% Secured Bond (Maturity - January 15, 2018)	1,500	1,500	1,455
Philadelphia Energy Solutions Refining and Marketing LLC (11)	Oil & Gas Refiner	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - April 4, 2018) (9)	2,993	2,950	2,985
Polyconcept Financial B.V. (11)	Promotional Products to Corporations and Consumers	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - June 30, 2019) (9)	3,500	3,465	3,465
Preferred Proppants, LLC (11)	Producer of Sand Based Proppants	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - December 15, 2016) (9)	5,912	5,806	5,623
Primesight Limited (10) (13)	Outdoor Advertising Operator	11.25% Secured Debt (Maturity - October 17, 2015)	7,575	7,575	7,412
PRV Aerospace, LLC (11)	Aircraft Equipment Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - May 9, 2018) (9)	5,957	5,907	5,983

Edgar Filing: Main Street Capital CORP - Form 10-Q

Radio One, Inc. (11)	Radio Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (9)	2,917	2,882	2,986
Relativity Media, LLC (10)	Full-scale Film and Television Production and Distribution	10.00% Secured Debt (Maturity - May 24, 2015)	4,904	4,839	4,904
		15.00% PIK Secured Debt (Maturity - May 24, 2015)	5,903	5,677	5,903
		Class A Units (Fully diluted 0.2)%		292	292
				10,808	11,099
Sabre Industries, Inc. (11)	Manufacturer of Telecom Structures and Equipment	LIBOR Plus 4.75%, Current Coupon 5.75%, Secured Debt (Maturity - August 24, 2018) (9)	6,468	6,398	6,532
SAExploration, Inc. (10) (13)	Geophysical Services Provider	11.00% Current / 2.50% PIK Secured Debt (Maturity - November 28, 2016)	8,000	8,107	8,107
		Common Stock (Fully diluted 0.01%)		65	65
				8,172	8,172
Shale-Inland Holdings, LLC (11)	Distributor of Pipe, Valves, and Fittings	8.75% Secured Bond (Maturity - November 15, 2019)	3,000	3,000	3,060
Sonneborn, LLC (11)	Specialty Chemicals Manufacturer	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - March 30, 2018) (9)	2,863	2,816	2,892

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Sotera Defense Solutions, Inc. (11)	Defense Industry Intelligence Services	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - April 22, 2017) (9)	9,146	8,832	8,232
Sourcehov LLC (11)	Business Process Services	LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - April 30, 2018) (9)	1,500	1,485	1,512
Surgery Center 2 Holdings, Inc. (11)	Ambulatory Surgical Centers	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - April 11, 2019) (9)	3,483	3,449	3,502
Sutherland Global Services, Inc. (11)	Business Process Outsourcing Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - March 6, 2019) (9)	6,913	6,782	6,930
Targus Group International (11)	Protective Cases for Mobile Devices	LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - May 24, 2016) (9)	4,649	4,672	4,440
Technimark LLC (11)	Injection Molding	LIBOR Plus 4.25%, Current Coupon 5.50%, Secured Debt (Maturity - April 17, 2019) (9)	4,000	3,961	4,040
TeleGuam Holdings, LLC (11)	Telecommunications Equipment	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 1, 2018) (9) LIBOR Plus 7.50%, Current Coupon 8.75%, Secured Debt (Maturity - June 1, 2019) (9)	7,000 2,500	6,965 2,475 9,440	6,965 2,525 9,490
Tervita Corporation (11) (13)	Oil and Gas Environmental Services	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - May 15, 2018) (9)	3,491	3,459	3,487
ThermaSys Corporation (11)	Manufacturer of Industrial Heat Exchanges	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - May 3, 2019) (9)	8,000	7,922	8,004
The Tennis Channel, Inc. (10)	Television-Based Sports Broadcasting	Warrants (Fully diluted 0.1%)		235	235

Edgar Filing: Main Street Capital CORP - Form 10-Q

Therakos, Inc. (11)	Immune System Disease Treatment	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - December 27, 2017) (9)	4,975	4,836	4,987
Totes Isotoner Corporation (11)	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,532	4,466	4,546
TriNet HR Corporation (11) (13)	Outsourced Human Resources Solutions	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - October 24, 2018) (9)	3,993	3,993	3,997
UniTek Global Services, Inc. (11)	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - April 15, 2018) (9)	9,344	9,050	8,643
Universal Fiber Systems, LLC (10)	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - June 26, 2015) (9)	11,027	10,957	11,096
US Xpress Enterprises, Inc. (11)	Truckload Carrier	LIBOR Plus 7.88%, Current Coupon 9.38%, Secured Debt (Maturity - November 13, 2016) (9)	6,313	6,202	6,314
Vantage Oncology, LLC (11)	Outpatient Radiation Oncology Treatment Centers	9.50% Secured Bond (Maturity - June 15, 2017)	9,000	9,000	8,910
VFH Parent LLC (11)	Electronic Trading and Market Making	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 8, 2016) (9)	4,782	4,778	4,827

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Visant Corporation (11)	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (9)	3,882	3,882	3,711
Vision Solutions, Inc. (11)	Provider of Information Availability Software	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9) LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity - July 23, 2017) (9)	2,416 5,000	2,269 4,965 7,234	2,375 4,950 7,325
Walter Investment Management Corp. (11) (13)	Real Estate Services	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - November 28, 2017) (9)	2,406	2,385	2,418
Wenner Media LLC (11)	Magazine Operator	LIBOR Plus 9.50%, Current Coupon 10.75%, Secured Debt (Maturity - February 17, 2018) (9)	2,085	2,016	2,134
Western Dental Services, Inc. (11)	Dental Care Services	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - November 1, 2018) (9)	4,975	4,839	4,978
Wilton Brands LLC (11)	Specialty Housewares Retailer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	1,925	1,891	1,934
Wireco Worldgroup Inc. (11)	Manufacturer of Synthetic Lifting Products	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - February 15, 2017) (9)	2,481	2,461	2,484
Xerium Technologies, Inc. (11)	Paper Production Equipment	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - May 17, 2019) (9)	2,000	1,990	2,014
YP Holdings LLC (11)	Online and Offline Advertising Operator	LIBOR Plus 6.75%, Current Coupon 8.00%, Secured Debt (Maturity - June 30, 2018) (9)	3,990	3,892	3,947
Zilliant Incorporated	Price Optimization and Margin Management Solutions				

Edgar Filing: Main Street Capital CORP - Form 10-Q

12% Secured Debt (Maturity - June 15, 2017)	8,000	6,957	6,957
Warrants (Fully diluted 2.7%)		1,071	1,071
		8,028	8,028

Subtotal Non-Control/Non-Affiliate Investments (51.2% of total investments at fair value)		567,997	581,244
--	--	----------------	----------------

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2013

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Marketable Securities and Idle Funds Investments</u>					
	Investments in Marketable Securities and Diversified, Registered Bond Funds				
Other Marketable Securities and Idle Funds Investments (13)				22,502	21,759
Subtotal Marketable Securities and Idle Funds Investments (1.9% of total investments at fair value)				22,502	21,759
Total Investments, June 30, 2013				\$ 1,013,150	\$ 1,135,854

- (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 Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition 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 Loan portfolio investment.** See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term Private Loan.
- (11) **Middle Market portfolio investment.** See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term Middle Market.
- (12) **Other Portfolio investment.** See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term 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.**

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2012

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Control Investments (5)</u>					
Bond-Coat, Inc.	Casing and Tubing Coating Services	12% Secured Debt (Maturity - December 28, 2017) Common Stock (Fully diluted 43.4%)	14,750	14,550 6,350 20,900	14,550 6,350 20,900
Café Brazil, LLC	Casual Restaurant Group	12% Secured Debt (Maturity - April 20, 2013) Member Units (Fully diluted 41.0%) (8)	500	500 42 542	500 3,690 4,190
California Healthcare Medical Billing, Inc.	Outsourced Billing and Revenue Cycle Management	12% Secured Debt (Maturity - October 17, 2015) Warrants (Fully diluted 21.3%) Common Stock (Fully diluted 9.8%)	8,103	7,913 1,193 1,177 10,283	8,016 3,380 1,560 12,956
CBT Nuggets, LLC	Produces and Sells IT Training Certification Videos	14% Secured Debt (Maturity - December 31, 2013) Member Units (Fully diluted 41.6%) (8)	450	450 1,300 1,750	450 7,800 8,250
Ceres Management, LLC (Lamb's Tire & Automotive)	Aftermarket Automotive Services Chain	14% Secured Debt (Maturity - May 31, 2013) Class B Member Units (12% cumulative) Member Units (Fully diluted 79.0%) 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity - October 1, 2025) Member Units (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)	4,000 1,066	3,993 3,000 5,273 1,066 625	3,993 3,000 1,066 860

Edgar Filing: Main Street Capital CORP - Form 10-Q

			13,957	8,919	
Condit Exhibits, LLC	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
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products	9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity - June 30, 2017)	919	919	919
		Member Units (Fully diluted 34.2%) (8)		2,980	12,660
				3,899	13,579
Harrison Hydra-Gen, Ltd.	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
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (Fully diluted 47.6%) (8)		589	1,140
		Member Units (Wallisville Real Estate, LLC) (Fully diluted 59.1%) (8)		1,215	1,215
				1,804	2,355

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Hydratec, Inc.	Designer and Installer of Micro-Irrigation Systems	Common Stock (Fully diluted 94.2%) (8)		7,095	13,710
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity - September 15, 2014) Warrants (Fully diluted 30.1%)	4,150	3,982 1,129 5,111	4,070 2,130 6,200
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 2%, Current Coupon 5.25%, Secured Debt (Maturity - November 14, 2013) (9) 13% Current / 6% PIK Secured Debt (Maturity - November 14, 2013) Member Units (Fully diluted 60.8%) (8)	1,696 1,759	1,696 1,759 811 4,266	1,696 1,759 2,060 5,515
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity - August 22, 2014) Preferred Stock (non-voting) Warrants (Fully diluted 7.1%) Common Stock (Fully diluted 70.0%) (8)	1,892	1,892 493 54 100 2,539	1,892 493 4 36 2,425
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	Fabricator of Marine and Industrial Shelters	12% Secured Debt (Maturity - December 28, 2017) Preferred Stock (Fully diluted 26.7%)	10,250	10,045 3,750 13,795	10,045 3,750 13,795
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity - December 18, 2014) 12% Secured Debt (Maturity - December 18, 2014) 9.5% Secured Debt (Mid - Columbia Real Estate, LLC) (Maturity - May 13, 2025) Warrants (Fully diluted 9.2%) Member Units (Fully diluted 42.9%) Member Units (Mid - Columbia Real Estate, LLC) (Fully diluted 50.0%) (8)	1,250 3,900 1,017	1,250 3,900 1,017 250 882 250 7,549	1,250 3,900 1,017 1,470 1,580 810 10,027
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - February 1, 2016) (9)	3,385 5,173	3,334 5,093	3,334 5,093

Edgar Filing: Main Street Capital CORP - Form 10-Q

		18% Secured Debt (Maturity - February 1, 2016)		2,975	4,360
		Member Units (Fully diluted 44.0%)		11,402	12,787
NRI Clinical Research, LLC	Clinical Research Center				
		14% Secured Debt (Maturity - September 8, 2016)	4,736	4,506	4,506
		Warrants (Fully diluted 12.5%)		252	480
		Member Units (Fully diluted 24.8%) (8)		500	960
				5,258	5,946
NRP Jones, LLC	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
OMi Holdings, Inc.	Manufacturer of Overhead Cranes				
		12% Secured Debt (Maturity - April 1, 2013)	6,000	5,997	6,000
		Common Stock (Fully diluted 48.0%)		1,080	8,740
				7,077	14,740

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Pegasus Research Group, LLC (Televerde)	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
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity - June 10, 2015)	8,460	8,404	8,460
		Common Stock (Fully diluted 51.1%)		2,150	6,120
				10,554	14,580
Principle Environmental, LLC	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	
River Aggregates, LLC	Processor of Construction Aggregates	12% Secured Debt (Maturity - March 30, 2016)	3,860	3,662	3,662
		Warrants (Fully diluted 20.0%)		202	
		Member Units (Fully diluted 40.0%)		550	
			4,414	3,662	
The MPI Group, LLC	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
Thermal and Mechanical Equipment, LLC	Commercial and Industrial Engineering Services	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - September 25, 2014) (9)	1,033	1,030	1,033
		13% Current / 5% PIK Secured Debt (Maturity - September 25, 2014)	3,292	3,268	3,292
		Member Units (Fully diluted 50.0%) (8)		1,000	8,250
				5,298	12,575
Uvalco Supply, LLC					

Edgar Filing: Main Street Capital CORP - Form 10-Q

	Farm and Ranch Supply Store	Member Units (Fully diluted 42.8%) (8)		1,113	2,760
Van Gilder Insurance Corporation	Insurance Brokerage	8% Secured Debt (Maturity - January 31, 2014)	915	914	914
		8% Secured Debt (Maturity - January 31, 2016)	1,361	1,349	1,349
		13% Secured Debt (Maturity - January 31, 2016)	6,150	5,319	5,319
		Warrants (Fully diluted 10.0%)		1,209	1,180
		Common Stock (Fully diluted 15.5%)		2,500	2,430
				11,291	11,192
Vision Interests, Inc.	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
Ziegler s NYPD, LLC	Casual Restaurant Group	Prime Plus 2%, Current Coupon 9%, Secured Debt (Maturity - October 1, 2013) (9)	1,000	998	998
		13% Current / 5% PIK Secured Debt (Maturity - October 1, 2013)	5,314	5,300	5,300
		Warrants (Fully diluted 46.6%)		600	180
				6,898	6,478
Subtotal Control Investments (29.2% of total investments at fair value)				217,483	278,475

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2012

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Affiliate Investments (6)</u>					
American Sensor Technologies, Inc.	Manufacturer of Commercial / Industrial Sensors	Warrants (Fully diluted 19.6%)		50	4,170
Bridge Capital Solutions Corporation	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
Congruent Credit Opportunities Fund II, LP (12) (13)	Investment Partnership	LP Interests (Fully diluted 19.8%) (8)		19,049	19,174
Daseke, Inc.	Specialty Transportation Provider	Common Stock (Fully diluted 12.6%)		1,427	7,310
East Teak Fine Hardwoods, Inc.	Hardwood Products	Common Stock (Fully diluted 5.0%)		480	380
Gault Financial, LLC (RMB Capital, LLC)	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
Houston Plating and Coatings, LLC	Plating and Industrial Coating Services	Member Units (Fully diluted 11.1%) (8)		635	8,280
Indianhead Pipeline Services, LLC	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

Edgar Filing: Main Street Capital CORP - Form 10-Q

Integrated Printing Solutions, LLC	Specialty Card Printing	13% Secured Debt (Maturity -			
		September 23, 2016)	12,500	11,807	11,807
		Preferred Equity (Fully diluted 11.0%)		2,000	2,000
		Warrants (Fully diluted 8.0%)		600	1,100
			14,407	14,907	
irth Solutions, LLC	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
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products	12.5% Secured Debt (Maturity -			
		September 28, 2017)	9,000	8,913	9,000
		Member Units (Fully diluted 17.9%) (8)		341	5,550
				9,254	14,550

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Olympus Building Services, Inc.	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
OnAsset Intelligence, Inc.	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
OPI International Ltd. (13)	Oil and Gas Construction Services	Common Equity (Fully diluted 11.5%) (8)		1,371	4,971
PCI Holding Company, Inc.	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
Radial Drilling Services Inc.	Oil and Gas Technology	12% Secured Debt (Maturity - November 23, 2016)	4,200	3,485	3,485
		Warrants (Fully diluted 24.0%)		758	758
				4,243	4,243
Samba Holdings, Inc.	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
Spectrio LLC	Audio Messaging Services	8% Secured Debt (Maturity - June 16, 2016)	280	280	280
		12% Secured Debt (Maturity - June 16, 2016)	17,990	17,559	17,963
		Warrants (Fully diluted 9.8%)		887	3,420
				18,726	21,663
SYNEO, LLC	Manufacturer of Specialty Cutting Tools and Punches				

Edgar Filing: Main Street Capital CORP - Form 10-Q

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

Texas Reexcavation LC	Hydro Excavation Services				
		12% Current / 3% PIK Secured Debt (Maturity - December 31, 2017)	6,001	5,881	5,881
		Class A Member Units (Fully diluted 16.3%)		2,900	2,900
				8,781	8,781
Subtotal Affiliate Investments (18.7% of total investments at fair value)				142,607	178,413

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2012

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Non-Control/Non-Affiliate Investments</u> (7)					
AGS LLC (10)	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity - August 23, 2016) (9)	9,423	9,239	9,239
Ameritech College Operations, LLC	For-Profit Nursing and Healthcare College	18% Secured Debt (Maturity - March 9, 2017)	6,050	5,942	6,050
Ancestry.com Inc. (11)	Genealogy Software Service	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - December 27, 2018) (9)	7,000	6,720	6,767
Artel, LLC (11)	Land-Based and Commercial Satellite Provider	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 27, 2017) (9)	5,000	4,951	4,950
Associated Asphalt Partners, LLC (11)	Liquid Asphalt Supplier	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - March 9, 2018) (9)	9,400	9,250	9,259
Audio Visual Services Group, Inc. (11)	Hotel & Venue Audio Visual Operator	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - November 9, 2018) (9) LIBOR Plus 9.50%, Current Coupon 10.75%, Secured Debt (Maturity - May 9, 2019) (9)	5,000 5,000	4,901 4,901 9,802	4,919 4,938 9,857
B. J. Alan Company	Retailer and Distributor of Consumer Fireworks		10,134	10,042	10,042

Edgar Filing: Main Street Capital CORP - Form 10-Q

14% Current / 2.5% PIK Secured Debt
(Maturity - June 22, 2017)

Blackboard, Inc. (11)	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
Brand Connections, LLC	Venue-Based Marketing and Media	12% Secured Debt (Maturity - April 30, 2015)	7,974	7,828	7,974
Brasa Holdings Inc. (11)	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
Calloway Laboratories, Inc. (10)	Health Care Testing Facilities	10.00% Current / 2.00% PIK Secured Debt (Maturity - September 30, 2014)	5,479	5,361	5,479

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
CDC Software Corporation (11)	Enterprise Application Software	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - August 6, 2018) (9)	4,239	4,199	4,260
CHI Overhead Doors, Inc. (11)	Manufacturer of Overhead Garage Doors	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - August 17, 2017) (9) LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity - February 17, 2018) (9)	2,410 2,500	2,371 2,457 4,828	2,421 2,463 4,884
Citadel Plastics Holding, Inc. (11)	Supplier of Commodity Chemicals / Plastic Parts	LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity - February 28, 2018) (9)	2,985	2,959	2,989
Compact Power Equipment Centers Inc.	Equipment / Tool Rental	6% Current / 6% PIK Secured Debt (Maturity - October 1, 2017) Series A Stock (8% cumulative) (Fully diluted 4.2%) (8)	3,687	3,669 923 4,592	3,669 1,232 4,901
Confie Seguros Holding II Co. (11)	Insurance Brokerage	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - November 9, 2018) (9)	5,000	4,927	4,964
Connolly Holdings Inc. (11)	Audit Recovery Software	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - July 15, 2018) (9) LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity - January 15, 2019) (9)	2,488 2,000	2,464 1,962 4,426	2,519 2,050 4,569
Creative Circle, LLC (11)	Professional Staffing Firm	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - September 28, 2017) (9)	9,938	9,840	9,840
CST Industries (11)	Storage Tank Manufacturer	LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity - May 22, 2017) (9)	12,188	12,022	12,110
Diversified Machine, Inc. (11)	Automotive Component Supplier	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - December 21, 2017) (9)	2,000	1,961	1,985

Edgar Filing: Main Street Capital CORP - Form 10-Q

Drilling Info, Inc.	Information Services for the Oil and Gas Industry	Common Stock (Fully diluted 2.3%)	1,335	5,769
Dycom Investments, Inc. (11) (13)	Telecomm Construction & Engineering Providers	7.13% Bond (Maturity - January 15, 2021)	1,000	1,042
Emerald Performance Materials, Inc. (11)	Specialty Chemicals Manufacturer	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - May 18, 2018) (9)	4,490	4,451
Engility Corporation (11) (13)	Defense Software	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - July 18, 2017) (9)	8,000	7,928
eResearch Technology, Inc. (11)	Provider of Technology- Driven Health Research	LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity - June 29, 2018) (9)	3,491	3,361

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
EnCap Energy Fund Investments (12) (13)	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
Fairway Group Acquisition Company (11)	Retail Grocery	LIBOR Plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity - August 17, 2018) (9)	3,990	3,933	4,030
FC Operating, LLC (10)	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
FishNet Security, Inc. (11)	Information Technology Value-Added Reseller	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 30, 2017) (9)	8,000	7,921	7,960
Flexera Software LLC (11)	Software Licensing	LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity - September 30, 2018) (9)	3,000	2,789	3,053
Fram Group Holdings, Inc. (11)	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - July 29, 2017) (9)	988	984	989
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - January 29, 2018) (9)	1,000	996	950
				1,980	1,939
GFA Brands, Inc. (11) (13)	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
GMACM Borrower LLC (11)	Mortgage Originator and Servicer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2015) (9)	1,000	987	1,011
Grede Holdings, LLC (11)	Operator of Iron Foundries	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - April 3, 2017) (9)	5,000	4,975	5,025

Edgar Filing: Main Street Capital CORP - Form 10-Q

Hayden Acquisition, LLC	Manufacturer of Utility Structures	8% Secured Debt (Maturity - January 1, 2013) (14)	1,800	1,781	
Hearthside Food Solutions, LLC (11)	Contract Food Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 5, 2018) (9)	3,990	3,953	3,980
Heckmann Corporation (11) (13)	Water Treatment and Disposal Services	9.88% Bond (Maturity - April 15, 2018)	3,500	3,500	3,588
HOA Restaurant Group, LLC (11)	Casual Restaurant Group	11.25% Bond (Maturity - April 1, 2017)	2,000	2,000	1,810
Hudson Products Holdings, Inc. (11)	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
Hupah Finance Inc. (11)	Manufacturer of Industrial Machinery	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - January 19, 2019) (9)	2,978	2,924	3,015
Il Fornaio Corporation (11)	Casual Restaurant Group	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - June 10, 2017) (9)	1,822	1,815	1,836

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Insight Pharmaceuticals, LLC (11)	Pharmaceuticals Merchant Wholesalers	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - August 25, 2016) (9)	5,000	4,976	5,025
Ipreo Holdings LLC (11)	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
iStar Financial Inc. (11) (13)	Real Estate Investment Trust	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - March 19, 2016) (9)	1,444	1,422	1,461
Ivy Hill Middle Market Credit Fund III, Ltd. (12) (13)	Investment Partnership	LIBOR Plus 6.50%, Current Coupon 6.71%, Secured Debt (Maturity - January 15, 2022)	2,000	1,681	1,970
Jackson Hewitt Tax Service Inc. (11)	Tax Preparation Services	LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity - October 15, 2017) (9)	7,500	7,211	7,281
Kadmon Pharmaceuticals, LLC (10)	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
Keypoint Government Solutions, Inc. (11)	Pre-employment Screening Services	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - November 13, 2017) (9)	5,000	4,903	4,975
Maverick Healthcare Group LLC (10)	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
Media Holdings, LLC (11) (13)	Internet Traffic Generator	LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity - April 27, 2014) (9)	5,000	5,332	5,000
Medpace Intermediateco, Inc. (11)	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

Edgar Filing: Main Street Capital CORP - Form 10-Q

Metal Services LLC (11)	Steel Mill Services	LIBOR Plus 6.50%, Current Coupon 7.75%, Secured Debt (Maturity - June 30, 2017) (9)	5,000	4,902	5,038
Metals USA, Inc. (11) (13)	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
Milk Specialties Company (11)	Processor of Nutrition Products	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - November 9, 2018) (9)	5,000	4,951	4,988
Miramax Film NY, LLC (11)	Motion Picture Producer and Distributor	Class B Units (Fully diluted 0.2%)		500	576
Mmodal, Inc. (11)	Healthcare Equipment and Services	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - August 16, 2019) (9)	3,990	3,940	3,850
Modern VideoFilm, Inc. (10)	Post-Production Film Studio	LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity - December 19, 2017) (9) Warrants (Fully diluted 1.5%)	5,005	4,780 150 4,930	4,780 150 4,930

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Mood Media Corporation (11) (13)	Music Programming and Broadcasting	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - May 6, 2018) (9)	1,775	1,759	1,780
National Healing Corporation (11)	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
National Vision, Inc. (11)	Discount Optical Retailer	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - August 2, 2018) (9)	3,226	3,179	3,274
NCI Building Systems, Inc. (11)	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
NCP Investment Holdings, Inc.	Management of Outpatient Cardiac Cath Labs	Class A and C Units (Fully diluted 3.3%) (8)		20	2,474
NGPL PipeCo, LLC (11)	Natural Gas Pipelines and Storage Facilities	LIBOR Plus 5.50%, Current Coupon 6.75%, Secured Debt (Maturity - September 15, 2017) (9)	8,679	8,548	8,901
North American Breweries Holdings, LLC (11)	Operator of Specialty Breweries	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - December 11, 2018) (9)	4,000	3,921	4,020
Northland Cable Television, Inc. (11)	Television Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity - December 30, 2016) (9)	4,812	4,710	4,692
Oberthur Technologies SA (11) (13)	Smart Card, Printing, Identity, and Cash Protection Security	LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity - November 30, 2018) (9)	6,965	6,648	6,913
Oneida Ltd. (11)	Household Products Manufacturer	LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity - September 25, 2017) (9)	1,933	1,899	1,904

Edgar Filing: Main Street Capital CORP - Form 10-Q

Panoram Industries International, Inc. (11)	Decorative Laminate Manufacturer	LIBOR Plus 6.00%, Current Coupon 7.25%, Secured Debt (Maturity - August 23, 2017) (9)	4,048	4,010	4,038
Peppermill Casinos, Inc. (11)	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
Phillips Plastic Corporation (11)	Custom Molder of Plastics and Metals	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 12, 2017) (9)	1,728	1,714	1,723
Physician Oncology Services, L.P. (11)	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
PL Propylene LLC (11) (13)	Propylene Producer	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - March 27, 2017) (9)	3,970	3,901	4,035
Preferred Proppants, LLC (11)	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
ProQuest LLC (11)	Academic Research Portal	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - April 13, 2018) (9)	4,963	4,918	4,997
PRV Aerospace, LLC (11)	Aircraft Equipment Manufacturer	LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - May 9, 2018) (9)	5,972	5,917	5,987

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Radio One, Inc. (11)	Radio Broadcasting	LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity - March 31, 2016) (9)	2,932	2,891	2,983
Relativity Media, LLC (10)	Full-scale Film and Television Production and Distribution	10.00% Secured Debt (Maturity - May 24, 2015)	4,904	4,825	5,087
		15.00% PIK Secured Debt (Maturity - May 24, 2015)	5,477	5,214	5,294
		Class A Units (Fully diluted 0.2%)		292	292
				10,331	10,673
Sabre Industries, Inc. (11)	Manufacturer of Telecom Structures and Equipment	LIBOR Plus 5.75%, Current Coupon 7.00%, Secured Debt (Maturity - August 24, 2018) (9)	6,500	6,407	6,565
Shale-Inland Holdings, LLC (11)	Distributor of Pipe, Valves, and Fittings	8.75% Bond (Maturity - November 15, 2019)	3,000	3,000	3,143
Sonneborn, LLC (11)	Specialty Chemicals Manufacturer	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - March 30, 2018) (9)	2,978	2,924	3,030
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
Surgery Center Holdings, Inc. (11)	Ambulatory Surgical Centers	LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity - February 6, 2017) (9)	4,881	4,863	4,857
The Tennis Channel, Inc. (10)	Television-Based Sports Broadcasting	LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity - June 30, 2013) (9)	11,050	12,776	12,776
		Warrants (Fully diluted 0.1%)		235	235
				13,011	13,011
Totes Isotoner Corporation (11)	Weather Accessory Retail	LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity - July 7, 2017) (9)	4,717	4,642	4,729
TriNet HR Corporation (11) (13)	Outsourced Human Resources Solutions				

Edgar Filing: Main Street Capital CORP - Form 10-Q

		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity - October 24, 2018) (9)	3,000	3,000	3,011
UniTek Global Services, Inc. (11)	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
Universal Fiber Systems, LLC (10)	Manufacturer of Synthetic Fibers	LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity - June 26, 2015) (9)	5,274	5,182	5,195
US Xpress Enterprises, Inc. (11)	Truckload Carrier	LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity - November 13, 2016) (9)	6,500	6,374	6,484
Vantage Specialties, Inc. (11)	Manufacturer of Specialty Chemicals	LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity - February 10, 2018) (9)	3,970	3,900	4,000
VFH Parent LLC (11)	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
Visant Corporation (11)	School Affinity Stores	LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 22, 2016) (9)	3,923	3,923	3,575

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
Vision Solutions, Inc. (11)	Provider of Information Availability Software	LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity - July 23, 2016) (9)	2,506	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
Walter Investment Management Corp. (11) (13)	Real Estate Services	LIBOR Plus 4.50%, Current Coupon 5.75%, Secured Debt (Maturity - November 28, 2017) (9)	2,469	2,444	2,484
Western Dental Services, Inc. (11)	Dental Care Services	LIBOR Plus 7.00%, Current Coupon 8.25%, Secured Debt (Maturity - November 1, 2018) (9)	5,000	4,853	4,894
Wilton Brands LLC (11)	Specialty Housewares Retailer	LIBOR Plus 6.25%, Current Coupon 7.50%, Secured Debt (Maturity - August 30, 2018) (9)	1,975	1,937	2,000
Wireco Worldgroup Inc. (11)	Manufacturer of Synthetic Lifting Products	LIBOR Plus 4.75%, Current Coupon 6.00%, Secured Debt (Maturity - February 15, 2017) (9)	2,494	2,471	2,550
WP CPP Holdings, LLC (11)	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
Zilliant Incorporated	Price Optimization and Margin Management Solutions	12% Secured Debt (Maturity - June 15, 2017)	8,000	6,866	6,866
		Warrants (Fully diluted 3.0%)		1,071 7,937	1,071 7,937
Subtotal Non-Control/Non-Affiliate Investments (49.1% of total investments at fair value)				456,975	467,543
Main Street Capital Partners, LLC (Investment Manager)	Asset Management	100% of Membership Interests		2,668	
Total Portfolio Investments, December 31, 2012				819,733	924,431

Table of Contents

MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2012

(in thousands)

(Unaudited)

Portfolio Company (1)	Business Description	Type of Investment (2) (3)	Principal (4)	Cost (4)	Fair Value
<u>Marketable Securities and Idle Funds Investments</u>					
	Investments in Marketable Securities and Diversified, Registered Bond Funds				
Ceridian Corporation (13)		LIBOR Plus 5.75%, Current Coupon 5.96%, Secured Debt (Maturity - May 9, 2017)	10,000	10,025	10,013
Compass Investors Inc. (13)		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity - December 27, 2019) (9)	7,000	7,005	6,994
First Data Corporation (13)		LIBOR Plus 4.00%, Current Coupon 4.21%, Secured Debt (Maturity - March 23, 2018)	5,000	4,763	4,767
Toll Road Investors Partnership II, LP Bond (13)		Zero Coupon Bond (Maturity - February 15, 2033)	7,500	1,742	1,834
Univision Communications Inc. (13)		LIBOR Plus 4.25%, Current Coupon 4.46%, Secured Debt (Maturity - March 31, 2017)	5,000	4,934	4,927
Subtotal Marketable Securities and Idle Funds Investments (3.0% of total investments at fair value)				28,469	28,535

(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.

Edgar Filing: Main Street Capital CORP - Form 10-Q

- (3) See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition 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 Loan portfolio investment. See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term Private Loan.
- (11) Middle Market portfolio investment. See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term Middle Market.
- (12) Other Portfolio investment. See Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for the definition of the term 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.

Table of Contents

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

Edgar Filing: Main Street Capital CORP - Form 10-Q

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 six months ended June 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,

Table of Contents

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 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 six months ended June 30, 2013 and 2012, cash flows for the six months ended June 30, 2013 and 2012, and financial position as of June 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 six months ended June 30, 2013 and June 30, 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

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

Table of Contents

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 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 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 determines the fair value using a combination of market and income approaches. Under the market approach, Main

Edgar Filing: Main Street Capital CORP - Form 10-Q

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

Table of Contents

approaches consider the value associated with Main Street's ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

For valuation purposes, non-control LMM portfolio investments are 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 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 26 LMM portfolio companies for the six months ended June 30, 2013, representing approximately 40.2% of the total LMM portfolio at fair value as of June 30, 2013 and on a total of 22 LMM portfolio companies for the six months ended June 30, 2012, representing approximately 39.7% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of June 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.

Edgar Filing: Main Street Capital CORP - Form 10-Q

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 3.1% and 2.6%, respectively, of Main Street's Investment Portfolio at fair value as of June 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

Table of Contents

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.

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 June 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 June 30, 2013, cash balances totaling \$36.8 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

status significantly improves regarding the debtor's ability to service the debt or other obligations, or if a loan or debt security is fully impaired, sold or written off, Main Street removes it from non-accrual status.

Main Street holds debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind (PIK) interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. For the three months ended June 30, 2013 and 2012, (i) approximately 3.7%, 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 1.0%, and 0.3%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash. For the six months ended June 30, 2013 and 2012, (i) approximately 4.4%, and 3.7%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.9%, and 0.3%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of June 30, 2013, Main Street had one investment with positive fair value on non-accrual status, which comprised approximately 0.2% of the total Investment Portfolio at fair value and, together with another fully impaired investment, comprised approximately 0.7% 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.

Main Street has received the following types of income from its Investment Portfolio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(dollars in thousands)		(dollars in thousands)	
Interest, fee and dividend income:				
Interest income	\$ 22,858	\$ 16,477	\$ 44,343	\$ 33,666
Fee income	1,379	1,680	2,805	2,757
Dividend income	3,193	2,168	5,615	3,489
Total interest, fee and dividend income	\$ 27,430	\$ 20,325	\$ 52,763	\$ 39,912

6. Deferred Financing Costs

Edgar Filing: Main Street Capital CORP - Form 10-Q

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 range between 3.4% and 3.5% 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.

Table of Contents

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

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

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

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

To maintain RIC tax treatment (as discussed below in Note B.9.), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income. For the three months ended June 30, 2013 and 2012, approximately 3.3% and 3.8%, respectively, of Main Street's total investment income was attributable to interest income from the accretion of discounts, net of any premium reduction, associated with debt investments. For the six months ended June 30, 2013 and 2012, approximately 3.1% and 3.7%, 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

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.

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. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense, or benefit, as a result of their ownership of certain portfolio investments. This income tax expense, or benefit, 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. The taxable

Table of Contents

income, or loss, of the Investment Manager may differ from its book income 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.

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 from Investments and Net Change in Unrealized Appreciation or Depreciation from Investments

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment and the cost basis of the investment, 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 from investments 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 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

current period to Net Change in Unrealized Appreciation (Depreciation) SBIC debentures as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is included in interest expense.

12. Earnings per Share

Basic and diluted per share calculations are computed utilizing the weighted average number of shares of common stock outstanding for the period. Main Street adopted the amended guidance in ASC 260, *Earnings Per Share*, and based on the guidance, the unvested shares of restricted stock 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

Table of Contents

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.

13. Recently Issued Accounting Standards

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 are not yet effective will not have a material impact on its financial statements upon adoption.

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION

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

Fair Value Hierarchy

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

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

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

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

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

Edgar Filing: Main Street Capital CORP - Form 10-Q

- Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);
- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and
- Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value 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 June 30, 2013 and December 31, 2012, 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 June 30, 2013 and December 31, 2012.

Table of Contents

As of June 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, many of Main Street's Middle Market portfolio investments were categorized as Level 2 as of June 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 June 30, 2013 and December 31, 2012.

As of June 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 investments as Level 3 as of June 30, 2013 and December 31, 2012.

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

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

As of June 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 June 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.

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;

Edgar Filing: Main Street Capital CORP - Form 10-Q

- 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;

Table of Contents

- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is 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 June 30, 2013:

Edgar Filing: Main Street Capital CORP - Form 10-Q

Type of Investment	Fair Value as of June 30, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs (4)	Range (3)	Weighted Average (3)
Equity investments	\$ 262,134	Discounted cash flow Market comparable / Enterprise Value	Weighted average cost of capital EBITDA multiple (1)	10.4% - 18.6% 4.0x - 7.0x (2)	14.6% 5.8x
Debt investments	\$ 690,312	Discounted cash flow	Risk adjusted discount rate Expected principal recovery	4.3% - 21.3% (2) 0.0% - 100.0%	12.8% 99.3%
Total Level 3 investments	\$ 952,446				

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances applicable 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 - 13.5x and the range for risk adjusted discount factor is 4.3% - 70.0%.

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

(4) Other unobservable inputs, which are not significant, may also be used to fair value Main Street's Level 3 portfolio investments.

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:

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Type of Investment	Fair Value as of December 31, 2012 (in thousands)	Valuation Technique	Significant Unobservable Inputs (4)	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 rate Expected principal recovery	9.2% - 16.0% (2) 0.0% - 100.0%	13.3% 99.5%
Total Level 3 investments	\$ 697,631				

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances applicable 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.

(4) Other unobservable inputs, which are not significant, may also be used to fair value Main Street's Level 3 portfolio investments.

The following table provides a summary of changes in fair value of Main Street's Level 3 portfolio investments for the six months ended June 30, 2013 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2012	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments/ Exits	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other	Fair Value as of June 30, 2013
Debt	\$ 477,272	4,992	\$ (84,294)	\$ 290,261	\$ (1,375)	\$ 793	\$ 2,663	\$ 690,312
Equity	191,764		154	15,436		14,782	839	222,975
Equity warrants	28,595		(159)	8,813		2,743	(833)	39,159
	\$ 697,631	4,992	\$ (84,299)	\$ 314,510	\$ (1,375)	\$ 18,318	\$ 2,669	\$ 952,446

As of June 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, as Main Street generally does not intend to repay these SBIC debentures prior to maturity.

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.

Edgar Filing: Main Street Capital CORP - Form 10-Q

The following table provides a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of June 30, 2013 (amounts in thousands):

Type of Instrument	Fair Value as of June 30, 2013 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	\$ 87,123	Discounted cash flow	Estimated market interest rates	7.1% - 9.2%	8.1%

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 six months ended June 30, 2013 (amounts in thousands):

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Type of Instrument	Fair Value as of December 31, 2012	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of June 30, 2013
SBIC Debentures at fair value	\$ 86,467	\$	\$	\$ 657	\$ 87,123

At June 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 June 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	\$ 555,314	\$	\$	\$ 555,314
Middle Market portfolio investments	445,244		\$ 159,649	\$ 285,595
Private Loan portfolio investments	78,937			\$ 78,937
Other Portfolio investments	34,600		\$ 2,000	\$ 32,600
Total portfolio investments	1,114,095		161,649	952,446
Marketable securities and idle funds investments	21,759	\$ 21,759		
Total investments	\$ 1,135,854	\$ 21,759	\$ 161,649	\$ 952,446
SBIC Debentures at fair value	\$ 87,123	\$	\$	\$ 87,123

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

Edgar Filing: Main Street Capital CORP - Form 10-Q

SBIC Debentures at fair value	\$	86,467	\$	\$	86,467
-------------------------------	----	--------	----	----	--------

Table of Contents

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 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 be highly concentrated among several portfolio companies. For the three and six month periods ended June 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 June 30, 2013, Main Street had debt and equity investments in 58 LMM portfolio companies with an aggregate fair value of approximately \$555.3 million, with a total cost basis of approximately \$438.7 million, and a weighted average annual effective yield on its LMM debt investments of approximately 15.1%. As of June 30, 2013, approximately 75% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 94% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At June 30, 2013, 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%. 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

Edgar Filing: Main Street Capital CORP - Form 10-Q

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 June 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 June 30, 2013, Main Street had Middle Market portfolio investments in 95 companies, collectively totaling approximately \$445.2 million in fair value with a total cost basis of approximately \$440.4 million. The weighted average revenue for the 95 Middle Market portfolio company investments was approximately \$576.8 million as of June 30, 2013. As of June 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 June 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 revenue for the 79 Middle Market portfolio company investments was approximately \$533.6 million as of

Table of Contents

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 June 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 June 30, 2013, Main Street had Private Loan portfolio investments in 11 companies, collectively totaling approximately \$78.9 million in fair value with a total cost basis of approximately \$79.3 million. The weighted average revenue for the 11 Private Loan portfolio company investments was approximately \$309.4 million as of June 30, 2013. As of June 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 12.2% as of June 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 revenue for the 9 Private Loan portfolio company investments was approximately \$230.5 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 June 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 June 30, 2013, Main Street had Other Portfolio investments in 6 companies, collectively totaling approximately \$34.6 million in fair value and approximately \$32.3 million in cost basis and which comprised 3.1% of Main Street's Investment Portfolio at fair value as of June 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.

During the six months ended June 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 June 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).

Cost:	June 30, 2013	December 31, 2012
First lien debt	82.3%	81.1%
Equity	9.4%	10.4%
Second lien debt	5.5%	6.0%
Equity warrants	2.4%	1.9%
Other	0.4%	0.6%
	100.0%	100.0%

Edgar Filing: Main Street Capital CORP - Form 10-Q

Fair Value:	June 30, 2013	December 31, 2012
First lien debt	73.4%	72.1%
Equity	17.7%	18.7%
Second lien debt	5.0%	5.4%
Equity warrants	3.6%	3.3%
Other	0.3%	0.5%
	100.0%	100.0%

Table of Contents

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 June 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.

Cost:	June 30, 2013	December 31, 2012
West	24.4%	25.7%
Southwest	22.5%	27.7%
Northeast	17.4%	17.2%
Southeast	15.9%	10.1%
Midwest	14.2%	17.6%
Non-United States	5.6%	1.7%
	100.0%	100.0%

Fair Value:	June 30, 2013	December 31, 2012
Southwest	26.0%	31.3%
West	24.3%	25.3%
Northeast	16.1%	15.8%
Southeast	14.4%	9.1%
Midwest	14.2%	17.0%
Non-United States	5.0%	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 June 30, 2013 and December 31, 2012 (this information excludes the Other Portfolio investments and the Investment Manager).

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Cost:	June 30, 2013	December 31, 2012
Energy Equipment & Services	12.2%	8.4%
Media	7.6%	7.2%
Specialty Retail	5.9%	6.1%
Software	5.3%	8.3%
Commercial Services & Supplies	5.3%	6.4%
Health Care Providers & Services	5.3%	5.3%
Machinery	5.2%	6.7%
Construction & Engineering	4.2%	4.7%
Hotels, Restaurants & Leisure	2.9%	3.5%
Diversified Consumer Services	2.9%	3.2%
IT Services	2.8%	2.8%
Professional Services	2.8%	2.2%
Diversified Telecommunication Services	2.6%	0.0%
Electronic Equipment, Instruments & Components	2.2%	2.6%
Textiles, Apparel & Luxury Goods	2.1%	0.7%
Oil, Gas & Consumable Fuels	2.0%	1.6%
Insurance	1.9%	2.0%
Health Care Equipment & Supplies	1.9%	1.5%
Food Products	1.6%	2.0%
Electrical Equipment	1.5%	0.8%
Metals & Mining	1.5%	2.2%
Building Products	1.4%	2.0%
Aerospace & Defense	1.4%	1.9%
Communications Equipment	1.4%	1.2%
Consumer Finance	1.3%	1.2%
Chemicals	1.2%	2.0%
Containers & Packaging	1.2%	1.5%
Paper & Forest Products	1.1%	1.0%
Leisure Equipment & Products	1.1%	0.0%
Road & Rail	1.0%	1.0%
Trading Companies & Distributors	0.8%	1.0%
Construction Materials	0.5%	1.7%
Other (1)	7.9%	7.3%
	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.

Edgar Filing: Main Street Capital CORP - Form 10-Q

Table of Contents

Fair Value:	June 30, 2013	December 31, 2012
Energy Equipment & Services	13.5%	10.2%
Media	7.2%	6.7%
Machinery	6.5%	8.3%
Health Care Providers & Services	5.3%	5.3%
Software	5.2%	7.9%
Commercial Services & Supplies	5.1%	6.1%
Specialty Retail	4.9%	4.9%
Construction & Engineering	4.5%	5.1%
Diversified Consumer Services	3.7%	4.0%
Hotels, Restaurants & Leisure	3.0%	3.5%
IT Services	2.5%	2.5%
Professional Services	2.4%	2.0%
Diversified Telecommunication Services	2.3%	0.0%
Electronic Equipment, Instruments & Components	2.1%	2.4%
Textiles, Apparel & Luxury Goods	1.9%	0.6%
Oil, Gas & Consumable Fuels	1.8%	1.4%
Insurance	1.7%	1.8%
Health Care Equipment & Supplies	1.7%	1.3%
Food Products	1.5%	1.8%
Trading Companies & Distributors	1.5%	1.7%
Road & Rail	1.5%	1.5%
Electrical Equipment	1.4%	0.7%
Metals & Mining	1.3%	1.9%
Aerospace & Defense	1.3%	1.7%
Paper & Forest Products	1.3%	1.2%
Communications Equipment	1.3%	1.1%
Chemicals	1.1%	1.8%
Containers & Packaging	1.1%	1.3%
Consumer Finance	1.1%	1.1%
Building Products	1.0%	1.5%
Leisure Equipment & Products	1.0%	0.0%
Transportation Infrastructure	0.8%	1.0%
Construction Materials	0.2%	1.4%
Other (1)	7.3%	6.3%
	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 June 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 since it had historically conducted a significant portion of its investment management activities for parties outside of MSCC and its consolidated

Edgar Filing: Main Street Capital CORP - Form 10-Q

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 its portfolio companies.

The Investment Manager receives recurring investment management fees from MSC II pursuant to a separate investment advisory agreement. Under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon the MSC II assets under management. Subsequent to the Exchange Offer, the investment in the

Table of Contents

Investment Manager was reduced to reflect the remaining pro rata portion of the MSC II equity and the related portion of the MSC II management fees that were not acquired in the Exchange Offer. Upon completion of the Final MSC II Exchange in the first quarter of 2012, the investment in the Investment Manager was further reduced to reflect MSCC's ownership of all of the MSC II equity and the related MSC II management fees. 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 June 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. 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.

MSCC has a support services agreement with the Investment Manager that is structured to provide reimbursement to the Investment Manager for any personnel, administrative and other costs it incurs in conducting its operational and investment management activities in excess of the fees received for providing management advisory services. As a wholly owned subsidiary of MSCC, the Investment Manager manages the day-to-day operational and investment activities of MSCC and its subsidiaries. The Investment Manager pays personnel and other administrative expenses, except those specifically required to be borne by MSCC which principally include direct costs that are specific to MSCC's status as a publicly traded entity. The expenses paid by the Investment Manager include the cost of salaries and related benefits, rent, equipment and other administrative costs required for day-to-day operations.

Edgar Filing: Main Street Capital CORP - Form 10-Q

Pursuant to the support services agreement with MSCC, the Investment Manager is reimbursed each quarter by MSCC for its cash operating expenses, less fees that the Investment Manager receives 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, the management fees paid by MSC II to the Investment Manager were reflected as Expenses reimbursed to

Table of Contents

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, these costs reimbursed by MSCC are included in Main Street's consolidated financial statements, after elimination of any intercompany activity, in the statement of operations as either compensation and related 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 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:

	As of March 31 2013		As of December 31, 2012
		(in thousands) (Unaudited)	
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
Total assets	\$ 13,244		\$ 17,657
Accounts payable and accrued liabilities	\$ 1,410		\$ 5,483
Equity	11,834		12,174
Total liabilities and equity	\$ 13,244		\$ 17,657

Table of Contents

**Three Months Ended
June 30,**

**Three Months Ended
March**