Main Street Capital CORP
Form 497
August 17, 2010

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Filed pursuant to Rule 497
Registration Statement No. 333-155806

PROSPECTUS SUPPLEMENT
(to Prospectus dated June 17, 2010)

2,800,000 Shares

Main Street Capital Corporation

Common Stock

We are offering for sale 2,800,000 shares of our common stock.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle-market companies that operate in diverse industries. We seek to fill the current financing gap for lower middle-market businesses, which have more limited access to financing from commercial banks and other traditional sources. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company.

In addition to our core investment strategy of investing in lower middle market companies, we opportunistically pursue investments in privately placed debt securities. This private placement investment portfolio primarily consists of direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in our core portfolio.

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

Our common stock is listed on the Nasdaq Global Select Market under the symbol "MAIN." On August 16, 2010, the last reported sale price of our common stock on the Nasdaq Global Select Market was $15.62 per share.

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

investing in our common stock.

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

	Per Share	Total
Public offering price	$ 15.0000	$ 42,000,000
Underwriting discount (4.75%)	$ 0.7125	$ 1,995,000
Proceeds, before expenses, to us(1)	$ 14.2875	$ 40,005,000

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

The underwriters have the option to purchase up to an additional 420,000 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be $48,300,000, and the total underwriting discount (4.75%) will be $2,294,250. The proceeds to us would be $46,005,750, before deducting estimated expenses payable by us of $200,000.

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

The underwriters expect to deliver the shares on or about August 19, 2010.

Morgan Keegan & Company, Inc.

BB&T Capital Markets
A Division of Scott & Stringfellow, LLC

Janney Montgomery Scott

Madison Williams and Company

The date of this prospectus supplement is August 17, 2010

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ABOUT THE PROSPECTUS

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

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

Forward-Looking Statements

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

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PROSPECTUS SUMMARY

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

Organization

Main Street Capital Corporation ("MSCC") was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP ("MSMF") and its general partner, Main Street Mezzanine Management, LLC ("MSMF GP"), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Investment Manager"), (iii) raising capital in an initial public offering, which was completed in October 2007 (the "IPO"), and (iv) thereafter operating as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSMF is licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA") and the Investment Manager acts as MSMF's manager and investment adviser. 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. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions." As of June 30, 2010, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC.

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

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

Overview

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market companies, which we generally define as companies with annual revenues between $10 million and $100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of lower middle market companies based in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our core portfolio investments generally range in size from $3 million to $20 million.

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

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

As of June 30, 2010, we had debt and equity investments in 41 core portfolio companies with an aggregate fair value of $252.7 million and the weighted average effective yield on our debt investments was approximately 14.7%. Approximately 78% of our total core portfolio investments at cost were in the form of debt investments and 86% of such debt investments at cost were secured by first priority liens on the assets of our portfolio companies as of June 30, 2010. At June 30, 2010, we had equity ownership in approximately 90% of our core portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%.

In addition to our core investment strategy of investing in lower middle market companies, we opportunistically pursue investments in privately placed debt securities. This privately placed investment portfolio primarily consists of direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in our core portfolio. At June 30, 2010, we had privately placed portfolio investments in 10 companies collectively totaling approximately $52.8 million in fair value with a total cost basis of approximately $52.4 million. The median revenues for the 10 privately placed portfolio company investments was approximately $239 million. All of our privately placed portfolio investments at cost were in the form of secured debt investments and 83% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 13.5% as of June 30, 2010. Weighted average effective yields are computed using the effective interest rates for all debt investments at June 30, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding any debt investments on non-accrual status and any liquidation fees payable upon repayment.

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

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Recent Developments

On July 1, 2010, our Board of Directors approved the issuance of 149,357 shares of restricted stock to our employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares will vest over a four-year period from the grant date and will be expensed over a four-year service period starting on the grant date.

On July 1, 2010, a total of 7,920 shares of restricted stock was issued to our independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares will vest on the day immediately preceding the next annual meeting at which our stockholders elect directors, provided that these independent directors have been in continuous service as members of the Board through such date. As a result, these shares will be expensed over a one-year service period starting on the grant date.

On July 8, 2010, we exited our debt and equity investment in Advantage Millwork Company, Inc., one of the portfolio companies on non-accrual status as of June 30, 2010, at a price equal to such investment's fair value at June 30, 2010. For the third quarter of 2010, we recognized a realized loss of approximately $1.9 million on the exit of this investment.

On July 30, 2010, we exited our largest private placement debt investment in Apria Healthcare Group, Inc., at a price exceeding the portfolio company's fair value at June 30, 2010. Therefore, we recognized a $0.5 million realized gain in the third quarter of 2010 related to the exit of this investment. Subsequent to exiting this investment, we repaid all debt borrowed under our $30 million investment credit facility, and we currently have no outstanding debt under such facility.

The Offering

Common stock offered by us	2,800,000 shares
Common stock outstanding prior to this offering	15,387,474 shares
Common stock to be outstanding after this offering	18,187,474 shares
Over-allotment option	420,000 shares
Use of proceeds	The net proceeds from this offering (without exercise of the over-allotment option and before deducting estimated expenses payable by us of approximately $200,000) will be $40,005,000. We intend to use all of the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations, and for general corporate purposes. Pending such uses, we currently intend to invest the net proceeds of this offering in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, consistent with our business development company ("BDC") election and our election to be taxed as a regulated investment company ("RIC"). See "Regulation Regulation as a Business Development Company Marketable Securities and Idle Funds Investments" in the accompanying prospectus.

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Dividends and distributions	Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders. In June 2010, we declared monthly dividends of $0.125 per share for each of July, August and September 2010. These monthly dividends equate to a total of $0.375 per share for the third quarter of 2010 representing an annualized dividend yield of approximately 9.6% based on the closing price of our common stock on the Nasdaq Global Select Market on August 16, 2010. Because the record date for the September 2010 dividend is on or after the date of this offering, investors who purchase shares of our common stock in this offering will be entitled to receive such dividend.
Taxation	MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Internal Revenue Code (the "Code"). Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such undistributed taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus.
Risk factors	See "Risk Factors" beginning on page 13 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq Global Select Market symbol	"MAIN"

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FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)	4.75%(1)
Offering expenses (as a percentage of offering price)	0.48%(2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses (as a percentage of offering price)	5.23%
Annual Expenses (as a percentage of net assets attributable to common stock):	
Operating expenses	3.90%(4)
Interest payments on borrowed funds	4.08%(5)
Total annual expenses	7.98%(6)

(1) Represents the underwriting discount with respect to the shares sold by us in this offering.

(2) The offering expenses of this offering borne by us are estimated to be approximately $200,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately 0.41%.

(3) The expenses of administering our dividend reinvestment plan are included in operating expenses.

(4) Operating expenses represent the estimated annual expenses of MSCC and its consolidated subsidiaries, including MSC II. There is a 12% minority ownership interest in MSC II not held by MSCC or its subsidiaries. The ratio of operating expenses to net assets, net of the expenses related to the minority interest in MSC II, would be 3.83%.

(5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds.

(6) The total annual expenses are the sum of operating expenses and interest payments on borrowed funds. In the future we may borrow money to leverage our net assets and increase our total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 4.75% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return	$ 134	$ 290	$ 436	$ 763

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

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USE OF PROCEEDS

The net proceeds from the sale of the 2,800,000 shares of common stock in this offering are $39,805,000, and $45,805,750 if the underwriter's over-allotment option is exercised in full, after deducting the underwriting discount and estimated offering expenses of approximately $200,000 payable by us.

We intend to use all of the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations, and for general corporate purposes. Pending such uses, we currently intend to invest the net proceeds of this offering in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, consistent with our BDC election and our election to be taxed as a RIC. See "Regulation Regulation as a Business Development Company Marketable Securities and Idle Funds Investments" in the accompanying prospectus.

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CAPITALIZATION

The following table sets forth our capitalization:

- on an actual basis as of June 30, 2010; and

- on an as-adjusted basis giving effect to the sale of 2,800,000 shares of our common stock in this offering at the public offering price of $15.00 per share, less estimated underwriting discounts and offering expenses payable by us.

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

	As of June 30, 2010	
	Actual	As-adjusted for this Offering
	(Unaudited)	
Cash and cash equivalents	$ 4,730,165	$ 4,730,165
Marketable securities and idle funds investments	14,900,228	54,705,228
Total cash and cash equivalents, marketable securities and idle funds investments	$ 19,630,393	$ 59,435,393
SBIC debentures (par: $145,000,000; of which $61,139,538 is recorded at fair value)	$ 126,139,538	$ 126,139,538
Net asset value:		
Common stock, $0.01 par value per share (150,000,000 shares authorized; 15,213,053 and 18,013,053 issued and outstanding, actual and as adjusted for this offering, respectively)	152,130	180,130
Additional paid-in capital	174,375,323	214,152,323
Accumulated net investment income	8,791,262	8,791,262
Accumulated net realized gain (loss) from investments	(18,677,108)	(18,677,108)
Net unrealized appreciation from investments, net of income taxes	21,151,217	21,151,217
Total net asset value	185,792,824	225,597,824
Total capitalization(1)	$ 311,932,362	$ 351,737,362

(1) Excludes amounts under our $30 million investment credit facility outstanding as of June 30, 2010, which were subsequently repaid in full. The line of credit is currently undrawn.

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SELECTED FINANCIAL DATA

The selected financial data below reflects the combined operations of MSMF and MSMF GP for the years ended December 31, 2005 and 2006 and the consolidated operations of Main Street and its subsidiaries for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010. The selected financial data at December 31, 2005, 2006, 2007, 2008 and 2009, and for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, have been derived from combined/consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data for the six months ended June 30, 2009 and 2010, and as of June 30, 2010, have been derived from unaudited financial data but, in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results as of and for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. You should read this selected financial data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes thereto in the accompanying prospectus and "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Interim Financial Statements" in this prospectus supplement.

	Years Ended December 31,					Six Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
	(dollars in thousands)						
						(Unaudited)	
Statement of operations data:							
Investment income:							
Total interest, fee and dividend income	$ 7,338	$ 9,013	$ 11,312	$ 16,123	$ 13,830	$ 6,565	$ 14,439
Interest from idle funds and other	222	749	1,163	1,172	2,172	627	1,386
Total investment income	7,560	9,762	12,475	17,295	16,002	7,192	15,825
Expenses:							
Interest	(2,064)	(2,717)	(3,246)	(3,778)	(3,791)	(1,873)	(4,105)
General and administrative	(197)	(198)	(512)	(1,684)	(1,351)	(745)	(672)
Expenses reimbursed to Investment Manager				(1,007)	(570)	(80)	(2,483)
Share-based compensation				(511)	(1,068)	(391)	(603)
Management fees to affiliate	(1,929)	(1,942)	(1,500)				
Professional costs related to initial public offering			(695)				
Total expenses	(4,190)	(4,857)	(5,953)	(6,980)	(6,780)	(3,089)	(7,863)
Net investment income	3,370	4,905	6,522	10,315	9,222	4,103	7,962
Total net realized gain (loss) from investments	1,488	2,430	4,692	1,398	(7,798)	1,321	(1,405)
Net realized income	4,858	7,335	11,214	11,713	1,424	5,424	6,557
Total net change in unrealized appreciation (depreciation) from investments	3,032	8,488	(5,406)	(3,961)	8,242	(1,570)	7,312
Income tax benefit (provision)			(3,263)	3,182	2,290	(583)	(421)
Bargain purchase gain							4,890
Net increase (decrease) in net assets resulting from operations	7,890	15,823	2,545	10,934	11,956	3,271	18,338
Noncontrolling interest							(409)
Net increase (decrease) in net assets resulting from operations attributable to common stock	$ 7,890	$ 15,823	$ 2,545	$ 10,934	$ 11,956	$ 3,271	$ 17,929

Net investment income per share basic and diluted	N/A	N/A	$ 0.76	$ 1.13	$ 0.92	$ 0.44	$ 0.53
Net realized income per share basic and diluted	N/A	N/A	$ 1.31	$ 1.29	$ 0.14	$ 0.58	$ 0.44
Net increase (decrease) in net assets resulting from operations attributable to common stock per share basic and diluted	N/A	N/A	$ 0.30	$ 1.20	$ 1.19	$ 0.35	$ 1.22
Weighted average shares outstanding basic and diluted	N/A	N/A	8,587,701	9,095,904	10,042,639	9,323,968	14,754,121

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	As of December 31,					As of June 30,
	2005	2006	2007	2008	2009	2010
	(dollars in thousands)					
Balance sheet data:						
Assets:						
Total portfolio investments at fair value	$ 51,192	$ 73,711	$ 105,650	$ 127,007	$ 156,740	$ 307,489
Marketable securities and idle funds investments			24,063	4,390	3,253	14,900
Cash and cash equivalents	26,261	13,769	41,889	35,375	30,620	4,730
Deferred tax asset				1,121	2,716	2,634
Other assets	439	630	1,576	1,101	1,510	3,311
Deferred financing costs, net of accumulated amortization	1,442	1,333	1,670	1,635	1,611	1,426
Total assets	$ 79,334	$ 89,443	$ 174,848	$ 170,629	$ 196,450	$ 334,490
Liabilities and net assets:						
SBIC debentures	$ 45,100	$ 45,100	$ 55,000	$ 55,000	$ 65,000	$ 126,139
Line of credit						12,500
Deferred tax liability			3,026			
Interest payable	771	855	1,063	1,108	1,069	2,646
Dividend payable				726		1,902
Accounts payable and other liabilities	194	216	610	1,439	721	1,864
Total liabilities	46,065	46,171	59,699	58,273	66,790	145,051
Total net asset value	33,269	43,272	115,149	112,356	129,660	185,793
Noncontrolling interest						3,646
Total liabilities and net assets	$ 79,334	$ 89,443	$ 174,848	$ 170,629	$ 196,450	$ 334,490
Other data:						
Weighted average effective yield on debt investments(1)	15.3%	15.0%	14.3%	14.0%	14.3%	14.7%
Number of core portfolio companies(2)	19	24	27	31	35	41
Expense ratios (as percentage of average net assets):						
Operating expenses(3)	9.0%	5.5%	4.8%	2.8%	2.5%	2.2%(4)
Interest expense	8.8%	7.0%	5.7%	3.3%	3.1%	2.4%(4)

(1) Weighted average effective yield is calculated based upon our core portfolio debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes debt investments on non-accrual status.

(2) Excludes (i) privately placed portfolio debt investments, (ii) the investment in affiliated Investment Manager and (iii) marketable securities and idle funds investments, as referenced elsewhere in this prospectus supplement.

(3)

The ratio for the year ended December 31, 2007 reflects the impact of professional costs related to the IPO. These costs were 25.7% of operating expenses for the 2007 fiscal year.

(4) Not annualized.

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

As described more fully in the accompanying prospectus, we have elected to be taxed as a RIC under Subchapter M of the Code and the applicable Treasury Regulations, which set forth the requirements for qualification as a RIC. The following discussion, which supplements and updates the discussion under the heading "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus, is a summary of certain additional material U.S. federal income tax considerations. **You are urged to consult your own tax advisor regarding the specific tax consequences of the purchase, ownership and sale of our common stock.**

Sunset of Reduced Tax Rate Provisions

Several of the tax considerations described under the heading "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus are subject to sunset provisions. These sunset provisions generally provide that for taxable years beginning after December 31, 2010, certain provisions in the Code that are currently applicable will revert back to earlier versions of such provisions. As a result, the federal income tax rates applicable to ordinary income, long-term capital gain and qualified dividend income for taxpayers taxed at individual rates will increase beginning January 1, 2011, absent congressional action. Consequently, prospective investors should consult their own tax advisors regarding the effect of the sunset provisions on an investment in our common stock.

Recent Tax Legislation

On March 18, 2010, the President signed into law the Hiring Incentives to Restore Employment Act of 2010, or the HIRE Act. The HIRE Act will require, after December 31, 2012, withholding at a rate of 30% on dividends in respect of, and gross proceeds from the sale or other disposition of, shares of our common stock held by "foreign financial institutions" (including foreign investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information about equity and debt interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Similarly, after December 31, 2012, dividends in respect of, and gross proceeds from the sale or other disposition of, shares of our common stock held by an investor that is a non-financial foreign entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which we will in turn provide to the Secretary of the Treasury.

On March 30, 2010, the President signed into law the Health Care and Education Reconciliation Act of 2010, or the Reconciliation Act. The Reconciliation Act will require that certain U.S. stockholders who are individuals, estates or trusts to pay a 3.8% Medicare tax on, among other things, dividends on and capital gains from the sale or other disposition of stock, subject to certain exceptions. This tax will apply for taxable years beginning after December 31, 2012.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of the recent legislation described herein on an investment in our common stock.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated August 17, 2010, the underwriters named below, for whom Morgan Keegan & Company, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

Underwriter	Number of Shares
Morgan Keegan & Company, Inc.	1,260,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	700,000
Janney Montgomery Scott LLC	420,000
Madison Williams and Company LLC	420,000
Total	2,800,000

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

Our common stock is listed on the Nasdaq Global Select Market under the symbol "MAIN."

Over-Allotment Option

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 420,000 additional shares of common stock at the public offering price set forth on the cover page hereof, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

Lock-Up Agreements

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 60 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

Underwriting Discounts

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of $0.43 per share below the public offering price. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters.

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The following table provides information regarding the per share and total underwriting discount that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to 420,000 additional shares from us.

	Per Share	Total without Exercise of Over-allotment	Total with Full Exercise of Over-allotment
Underwriting discount payable by us on shares sold to the public	$ 0.7125	$ 1,995,000	$ 2,294,250

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

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

Price Stabilization, Short Positions and Penalty Bids

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

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

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

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

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

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Passive Market Making Pursuant to Regulation M

In connection with this transaction, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq Global Select Market, prior to the pricing and completion of this offering. Passive market making is permitted by SEC Regulation M and consists of displaying bids on the Nasdaq Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in our common stock during a specified period and must be discontinued when such limit is reached. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions.

Conflicts of Interest

Affiliates of BB&T Capital Markets, an underwriter in this offering, act as lenders and/or agents under our $30 million investment credit facility.

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

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

The addresses of the underwriters are: Morgan Keegan & Company, Inc., 50 N. Front St., 19th Floor, Memphis, Tennessee 38103; BB&T Capital Markets, 901 East Byrd Street, Suite 410, Richmond, Virginia 23219; Janney Montgomery Scott LLC, 1801 Market Street, Philadelphia, Pennsylvania 19103; and Madison Williams and Company LLC, 527 Madison Ave, New York, New York 10022.

LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements, Schedule 12-14 and the schedule of Senior Securities of Main Street Capital Corporation, included in this prospectus supplement and the accompanying prospectus have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in giving said reports. Grant Thornton LLP's principal business address is 333 Clay Street, 2700 Three Allen Center, Houston, Texas 77002.

AVAILABLE INFORMATION

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

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

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

The following discussion should be read in conjunction with "Interim Financial Statements" in this prospectus supplement.

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

ORGANIZATION

Main Street Capital Corporation ("MSCC") was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP ("MSMF") and its general partner, Main Street Mezzanine Management, LLC ("MSMF GP"), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Investment Manager"), (iii) raising capital in an initial public offering, which was completed in October 2007 (the "IPO"), and (iv) thereafter operating as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSMF is licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA") and the Investment Manager acts as MSMF's manager and investment adviser. Because the Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by us, we do not pay any external investment advisory fees, but instead we incur the net 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. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note I to the consolidated financial statements). As of June 30, 2010, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC.

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

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

OVERVIEW

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market companies, which we generally define as companies with annual revenues between $10 million and $100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of lower middle market companies based in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our core portfolio investments generally range in size from $3 million to $20 million.

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

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

In addition to our core investment strategy of investing in lower middle market companies, we opportunistically pursue investments in privately placed debt securities. This private placement investment portfolio primarily consists of direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in our core portfolio. At June 30, 2010, we had privately placed portfolio investments in 10 companies collectively totaling approximately $52.8 million in fair value with a total cost basis of approximately $52.4 million. The median revenues for the 10 privately placed portfolio company investments was approximately $239 million. All of our total privately placed portfolio investments at cost were in the form of secured debt investments and 83% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 13.5% as of June 30, 2010.

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

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For the six months ended June 30, 2010, we paid dividends on a monthly basis totaling $0.75 per share, or $10.8 million. In June 2010, we declared monthly dividends for the third quarter of 2010 totaling $0.375 per share. During 2009, we paid monthly dividends of $0.125 per share, or $1.50 per share for the entire year. We generated undistributed taxable income (or "spillover income") of approximately $0.8 million, or $0.08 per share, during 2009 that was carried forward toward distributions paid in 2010. Including the dividends declared for the third quarter of 2010, we will have paid approximately $4.38 per share in cumulative dividends since our October 2007 initial public offering.

At June 30, 2010, we had $19.6 million in cash and cash equivalents, marketable securities, and idle funds investments. In January 2010, we completed a follow-on public stock offering in which we sold 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of $14.75 per share (or approximately 121% of the latest reported Net Asset Value per share), resulting in total net proceeds of approximately $40.1 million, after deducting underwriters' commissions and offering costs. Due to our existing cash, cash equivalents, marketable securities and idle funds investments, and available leverage, we expect to have sufficient cash resources to support our investment and operational activities through the remainder of calendar year 2010. However, this projection will be impacted by, among other things, the pace of new and follow-on investments, debt repayments and investment redemptions, the level of cash flow from operations and cash flow from realized gains, proceeds from future equity offerings, and the level of dividends we pay in cash.

The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill") contains several provisions applicable to SBIC funds, including the Funds. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately $137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between the Funds. Main Street has access to an incremental $80 million in SBIC leverage capacity, subject to the required capitalization of each of the Funds, in addition to the $145 million of existing SBIC leverage at the Funds.

A recently proposed bill, the Small Business Financing and Investment Act of 2009, or HR 3854, would increase the total SBIC leverage capacity for affiliated SBIC funds from $225 million to $350 million. If enacted, this bill would increase Main Street's SBIC leverage capacity through the Funds by an additional $125 million. While Main Street is positioned to benefit from the full congressional passage of HR 3854, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

In our view, the SBIC leverage, including the increased capacity, remains a strategic advantage due to its long-term, flexible structure and its low fixed cost. The SBIC leverage also provides proper matching of duration and cost compared with our core portfolio investments. As of June 30, 2010, the weighted average duration of our core portfolio debt investments was approximately 3.3 years compared to a weighted average duration of 6.9 years for our SBIC leverage. As of June 30, 2010, approximately 94% of core portfolio debt investments bear interest at fixed rates which is also appropriately matched by the long-term, low cost fixed rates available through our SBIC leverage.

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). For the three and six months ended June 30, 2010, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including MSMF

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and MSC II. For the three and six months ended June 30, 2009, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including MSMF. To allow for more relevant disclosure of our "core" investment portfolio, "core" portfolio investments, as used herein, refers to all of our portfolio investments in lower middle market companies, excluding the Investment Manager. Private placement portfolio investments include investments made through direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in our core portfolio. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations and cash flows for the three and six months ended June 30, 2010 and 2009, and financial position as of June 30, 2010 and December 31, 2009, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including the reclassification of private placement portfolio investments which were formerly classified as "Marketable securities and idle funds investments" and are now classified as portfolio investments in the "Non-Control/Non-Affiliate investments" category due to our current intent to hold such investments until their maturity and the fact that their terms adhere more to our portfolio investment strategy.

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 of 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, 2010 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, 2009. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

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

Portfolio Investment Valuation

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of June 30, 2010 and December 31, 2009, approximately 92% and 80%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including the investment in the Investment Manager). We are required to report our investments at fair value. We adopted the provisions of Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

Our core portfolio strategy calls for us to invest primarily in illiquid securities issued by private companies. These core portfolio investments may be subject to restrictions on resale and will generally have no established trading market. As a result, we determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. We review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. Our valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

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

For valuation purposes, non-control core portfolio investments are composed of debt and equity securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Market quotations for non-control investments are generally not readily available. For our non-control core portfolio investments, we use a combination of the market and income approaches to value our equity investments and the income approach to value our debt instruments. For non-control debt investments, we determine the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Our estimate of the expected repayment date of a debt security is generally the legal maturity date of the instrument, as we generally intend to hold our loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. We will use the value determined by the yield analysis as the fair value for that security; however, because of our general intent to hold our loans to maturity, the

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fair value will not exceed the face amount of the debt security. A change in the assumptions that we use to estimate the fair value of our debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or a debt security is in workout status, we may consider other factors in determining the fair value of a debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis.

Our private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in our core portfolio. For valuation purposes, all of our private placement portfolio investments are non-control investments and are composed of debt securities for which we do not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. We primarily use observable inputs to determine the fair value of these investments through obtaining third party quotes or independent pricing.

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

Revenue Recognition

Interest and Dividend Income

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

Fee Income

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

Payment-in-Kind ("PIK") Interest

While not significant to its total portfolio, we hold debt and preferred equity instruments in our investment portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is 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

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as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain regulated investment company ("RIC") tax treatment (as discussed below), these non-cash sources of income will need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We will stop accruing PIK interest and cumulative dividends and will write off any accrued and uncollected interest and dividends in arrears when it is determined that such PIK interest and dividends in arrears are no longer collectible.

Share-Based Compensation

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

Income Taxes

MSCC has elected and intends to qualify for the tax treatment applicable to a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and, among other things, intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, MSCC is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year, MSCC may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

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

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

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

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CORE PORTFOLIO COMPOSITION

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

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The Investment Manager is a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment of Main Street, since it conducts a significant portion of its investment management activities outside of MSCC and its subsidiaries. To allow for more relevant disclosure of our core investment portfolio, our investment in the Investment Manager has been excluded from the tables and amounts set forth below.

Summaries of the composition of our core investment portfolio at cost and fair value as a percentage of total core portfolio investments are shown in the following table:

Cost:	June 30, 2010	December 31, 2009
First lien debt	66.9%	69.3%
Equity	16.4%	13.4%
Second lien debt	10.9%	10.7%
Equity warrants	5.8%	6.6%
	100.0%	100.0%

Fair Value:	June 30, 2010	December 31, 2009
First lien debt	60.3%	57.4%
Equity	19.1%	19.5%
Second lien debt	10.4%	9.6%
Equity warrants	10.2%	13.5%
	100.0%	100.0%

The following table shows the core portfolio composition by geographic region of the United States at cost and fair value as a percentage of total core portfolio investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company:

Cost:	June 30, 2010	December 31, 2009
Southwest	48.7%	50.1%
West	29.2%	28.6%
Southeast	10.3%	9.0%
Northeast	6.8%	5.4%
Midwest	5.0%	6.9%
	100.0%	100.0%

Fair Value:	June 30, 2010	December 31, 2009
Southwest	48.3%	51.1%
West	28.8%	28.4%
Southeast	10.8%	8.4%
Northeast	6.9%	5.8%
Midwest	5.2%	6.3%
	100.0%	100.0%

Main Street's core portfolio investments are generally in lower middle market companies conducting business in a variety of industries. Set forth below are tables showing the composition of

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Main Street's core portfolio by industry at cost and fair value as of June 30, 2010 and December 31, 2009:

Cost:	June 30, 2010	December 31, 2009
Professional services	11.9%	10.1%
Equipment rental	8.9%	3.6%
Retail	8.0%	7.5%
Industrial equipment	7.9%	6.4%
Metal fabrication	7.1%	2.5%
Electronics manufacturing	5.6%	7.1%
Information services	5.6%	5.1%
Transportation/Logistics	5.0%	6.1%
Manufacturing	4.8%	4.1%
Precast concrete manufacturing	4.8%	9.7%
Health care services	4.6%	4.7%
Industrial services	3.8%	5.0%
Restaurant	3.7%	5.6%
Agricultural services	3.2%	6.6%
Media/Marketing	3.1%	
Custom wood products	2.9%	6.7%
Consumer products	2.7%	
Governmental services	2.1%	2.0%
Tradeshow	2.1%	2.6%
Health care products	1.4%	3.0%
Infrastructure products	0.8%	1.6%
	100.0%	100.0%

Fair Value:	June 30, 2010	December 31, 2009
Professional services	12.0%	10.1%
Equipment rental	7.6%	2.3%
Retail	7.5%	6.6%
Metal fabrication	6.9%	4.5%
Industrial equipment	6.9%	5.2%
Health care services	6.6%	9.1%
Information services	6.1%	4.4%
Precast concrete manufacturing	5.6%	11.5%
Electronics manufacturing	5.2%	6.2%
Transportation/Logistics	5.1%	6.3%
Industrial services	4.9%	7.0%
Manufacturing	4.1%	3.9%
Restaurant	4.1%	6.2%
Agricultural services	3.8%	7.9%
Custom wood products	2.9%	1.6%
Media/Marketing	2.9%	
Consumer products	2.5%	
Governmental services	2.1%	2.1%
Tradeshow	1.8%	2.1%
Health care products	1.3%	2.9%
Infrastructure products	0.1%	0.1%
	100.0%	100.0%

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Our core portfolio investments carry a number of risks including, but not limited to: (1) investing primarily in lower middle market companies which may have a limited operating history and financial resources; (2) holding investments that are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in private, lower middle market companies.

PORTFOLIO ASSET QUALITY

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

The following table shows the distribution of our portfolio investments (excluding the investment in the Investment Manager) on our 1 to 5 investment rating scale at fair value as of June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
Investment Rating	**Investments at Fair Value**	**Percentage of Total Portfolio**	**Investments at Fair Value**	**Percentage of Total Portfolio**
		(Unaudited)		
		(dollars in thousands)		
1	$ 43,959	14.4%	$ 14,509	10.3%
2	107,525	35.2%	59,116	42.0%
3	134,288	43.9%	57,578	40.9%
4	16,382	5.4%	9,000	6.4%
5	3,300	1.1%	500	0.4%
Totals	$ 305,454	100.0%	$ 140,703	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of June 30, 2010 and December 31, 2009 was approximately 2.4. As of June 30, 2010, we had three investments on non-accrual status, which comprised approximately 3.7% of the investment portfolio at fair value. On July 8, 2010, we exited our debt and equity investment in Advantage Millwork Company, Inc., one of the portfolio companies on non-accrual status as of June 30, 2010, at a price equal to the portfolio company's fair value at June 30, 2010. At December 31, 2009, we had three investments on non-accrual status, which comprised approximately 1.1% of the investment portfolio at fair value.

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

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DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2010 and June 30, 2009

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Net Change Amount	Net Change %
	(dollars in millions)			
Total investment income	$ 8.7	$ 3.6	$ 5.1	143%
Total expenses	(4.0)	(1.6)	(2.4)	147%
Net investment income	4.7	2.0	2.7	139%
Net realized gain from investments	2.7	0.4	2.3	NM
Net realized income	7.4	2.4	5.0	207%
Net change in unrealized appreciation from investments	1.8	1.8		NM
Income tax benefit (provision)		(0.5)	0.5	NM
Noncontrolling interest	(0.3)		(0.3)	NM
Net increase in net assets resulting from operations attributable to common stock	$ 8.9	$ 3.7	$ 5.2	137%

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Net Change Amount	Net Change %
	(dollars in millions)			
Net investment income	$ 4.7	$ 2.0	$ 2.7	139%
Share-based compensation expense	0.3	0.2	0.1	54%
Distributable net investment income(a)	5.0	2.2	2.8	131%
Net realized gain from investments	2.7	0.4	2.3	NM
Distributable net realized income(a)	$ 7.7	$ 2.6	$ 5.1	195%
Distributable net investment income per share Basic and diluted(a)	$ 0.33	$ 0.23	$ 0.10	43%
Distributable net realized income per share Basic and diluted(a)	$ 0.51	$ 0.27	$ 0.24	89%

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

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Investment Income

For the three months ended June 30, 2010, total investment income was $8.7 million, a $5.1 million, or 143%, increase over the $3.6 million in the corresponding period of 2009. This comparable period increase was principally attributable to (i) $2.5 million of total investment income from the MSC II portfolio investments acquired in the Exchange Offer, (ii) a $1.8 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities or idle funds investments, (iii) a $0.6 million increase in fee income due to higher levels of transaction activity, and (iv) a $0.3 million increase in dividend income from portfolio equity investments.

Expenses

For the three months ended June 30, 2010, total expenses increased by approximately $2.4 million to $4.0 million from $1.6 million in the corresponding period of 2009. This comparable period increase in expenses was principally attributable to (i) $1.9 million in interest expense and other operating expenses related to MSC II subsequent to the Exchange Offer, (ii) higher share-based compensation expense of $0.1 million related to non-cash amortization for restricted share grants, and (iii) higher personnel costs and other operating expenses compared with the three months ended June 30, 2009.

Distributable Net Investment Income

Distributable net investment income for the three months ended June 30, 2010 increased 131% to $5.0 million, or $0.33 per share, compared with $2.2 million, or $0.23 per share, in the corresponding period of 2009. The increase in distributable net investment income was primarily due to higher levels of total investment income, partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the three months ended June 30, 2010 reflects a greater number of average shares outstanding compared to the corresponding period in 2009 due to the June 2009 and January 2010 follow-on stock offerings, as well as the shares issued to consummate the Exchange Offer.

Net Investment Income

Net investment income for the three months ended June 30, 2010 was $4.7 million, or a 139% increase, compared to net investment income of $2.0 million during the corresponding period of 2009. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher interest and other operating expenses as discussed above.

Distributable Net Realized Income

For the three months ended June 30, 2010, the net realized gain from investments was $2.7 million, representing a $2.3 million increase over the net realized gain of $0.4 million for the comparable period in 2009. The net realized gain from investments during the second quarter of 2010 was primarily attributable to (i) $2.3 million of total realized gains on the partial exits of equity investments in Laurus Healthcare, LP and Gulf Manufacturing, LLC and on the full exit of an equity investment in Pulse Systems, LLC and (ii) $0.4 million of net realized gain related to marketable securities and idle funds investments. The net realized gain during the second quarter of 2009 was primarily attributable to marketable securities and idle funds investments.

Distributable net realized income increased $5.1 million, or 195%, to $7.7 million, or $0.51 per share, in the second quarter of 2010 compared with distributable net realized income of $2.6 million, or $0.27 per share, in the corresponding period of 2009 due to the higher levels of distributable net investment income and net realized gain from investments as discussed above.

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Net Realized Income

The higher levels of net investment income and net realized gain from investments during the three months ended June 30, 2010 resulted in a $5.0 million increase in net realized income compared with the corresponding period of 2009.

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

For the three months ended June 30, 2010, the $1.8 million net change in unrealized appreciation from investments was principally attributable to (i) $3.0 million in accounting reversals of net unrealized appreciation attributable to the net realized gain recognized in the second quarter of 2010 as discussed above, (ii) unrealized appreciation on eleven portfolio investments totaling $6.1 million, offset by unrealized depreciation on nine portfolio investments totaling $2.5 million, and (iii) $1.5 million in unrealized appreciation attributable to our SBIC debentures. The noncontrolling interest of $0.3 million recognized in the second quarter of 2010 reflects the pro rata portion of MSC II net earnings attributable to the limited partnership interests in MSC II not owned by Main Street.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the three months ended June 30, 2010 was $8.9 million, or $0.59 per share, compared with a net increase in net assets resulting from operations attributable to common stock of $3.7 million, or $0.39 per share, in the corresponding period of 2009.

Comparison of the six months ended June 30, 2010 and June 30, 2009

	Six Months Ended June 30,		Net Change	
	2010	**2009**	**Amount**	**%**
	(dollars in millions)			
Total investment income	$ 15.8	$ 7.2	$ 8.6	120%
Total expenses	(7.9)	(3.1)	(4.8)	155%
Net investment income	7.9	4.1	3.8	94%
Net realized gain (loss) from investments	(1.4)	1.3	(2.7)	NM
Net realized income	6.5	5.4	1.1	21%
Net change in unrealized appreciation (depreciation) from investments	7.3	(1.5)	8.8	NM
Income tax benefit (provision)	(0.4)	(0.6)	0.2	-28%
Bargain purchase gain	4.9		4.9	NM
Noncontrolling interest	(0.4)		(0.4)	NM
Net increase in net assets resulting from operations attributable to common stock	$ 17.9	$ 3.3	$ 14.6	448%

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	Six Months Ended June 30,		Net Change	
	2010	2009	Amount	%
	(dollars in millions)			
Net investment income	$ 7.9	$ 4.1	$ 3.8	94%
Share-based compensation expense	0.6	0.4	0.2	54%
Distributable net investment income(a)	8.5	4.5	4.0	91%
Net realized gain (loss) from investments	(1.4)	1.3	(2.7)	NM
Distributable net realized income(a)	$ 7.1	$ 5.8	$ 1.3	23%
Distributable net investment income per share Basic and diluted(a)	$ 0.57	$ 0.48	$ 0.09	19%
Distributable net realized income per share Basic and diluted(a)	$ 0.48	$ 0.62	$ (0.14)	-23%

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

Investment Income

For the six months ended June 30, 2010, total investment income was $15.8 million, an $8.6 million, or 120%, increase over the $7.2 million in the corresponding period of 2009. This comparable period increase was principally attributable to (i) $5.0 million of total investment income from the MSC II portfolio investments acquired in the Exchange Offer, (ii) a $3.0 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities or idle funds investments, (iii) a $0.4 million increase in fee income due to higher levels of transaction activity, and (iv) a $0.3 million increase in dividend income from portfolio equity investments.

Expenses

For the six months ended June 30, 2010, total expenses increased by approximately $4.8 million to $7.9 million from $3.1 million in the corresponding period of 2009. This comparable period increase in expenses was principally attributable to (i) $3.9 million in interest expense and other operating expenses related to MSC II subsequent to the Exchange Offer, (ii) higher share-based compensation expense of $0.2 million related to non-cash amortization for restricted share grants, and (iii) higher personnel costs and other operating expenses.

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Distributable Net Investment Income

Distributable net investment income for the six months ended June 30, 2010 increased 91% to $8.5 million, or $0.57 per share, compared with $4.5 million, or $0.48 per share, in the corresponding period of 2009. The increase in distributable net investment income was primarily due to higher levels of total investment income, partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the six months ended June 30, 2010 reflects a greater number of average shares outstanding compared to the corresponding period in 2009 due to the June 2009 and January 2010 follow-on stock offerings, as well as the shares issued to consummate the Exchange Offer.

Net Investment Income

Net investment income for the six months ended June 30, 2010 was $7.9 million, or a 94% increase, compared to net investment income of $4.1 million during the corresponding period of the prior year. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher interest and other operating expenses as discussed above.

Distributable Net Realized Income

For the six months ended June 30, 2010, the net realized loss from investments was $1.4 million, representing a $2.7 million decrease over the net realized gain of $1.3 million for the comparable period in 2009. The net realized loss from investments for the first six months of 2010 was primarily attributable to $4.0 million of realized loss on our debt and equity investment in Quest Design and Production, LLC in the first quarter of 2010, partially offset during the second quarter of 2010 by (i) $2.3 million of realized gains on the partial exits of equity investments in Laurus Healthcare, LP and Gulf Manufacturing, LLC and on the full exit of our equity investment in Pulse Systems, LLC and (ii) $0.4 million of net realized gain related to marketable securities and idle funds investments. The net realized gain during the first six months of 2009 was primarily attributable to marketable securities and idle funds investments.

Distributable net realized income increased $1.3 million, or 23%, to $7.1 million, or $0.48 per share, for the first six months of 2010 compared with distributable net realized income of $5.8 million, or $0.62 per share, in the corresponding period of 2009 due to the higher levels of distributable net investment income, partially offset by the decrease in total net realized gain (loss) from investments.

Net Realized Income

The higher levels of net investment income during the six months ended June 30, 2010, partially offset by the decrease from total net realized gain (loss) during that period resulted in a $1.1 million, or 21%, increase in net realized income compared with the corresponding period of 2009.

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

For the six months ended June 30, 2010, the $7.3 million net change in unrealized appreciation from investments was principally attributable to (i) $1.1 million in accounting reversals of net unrealized depreciation attributable to the net realized loss recognized during the first six months of 2010 as discussed above, (ii) unrealized appreciation on seventeen portfolio investments totaling $9.5 million, offset by unrealized depreciation on fourteen portfolio investments totaling $4.7 million, (iii) $1.8 million in unrealized appreciation attributable to our SBIC debentures, and (iv) $0.3 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. The noncontrolling interest of $0.4 million recognized during the first six months of 2010 reflected the pro rata portion of MSC II net earnings attributable to the limited partnership interests in MSC II not owned by Main Street. During the first quarter of 2010, we also recognized a $4.9 million bargain

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purchase gain related to the consummation of the Exchange Offer. The bargain purchase gain recognized during the first quarter of 2010 is a non-recurring gain which was solely generated by the acquisition accounting related to the Exchange Offer. For the six months ended June 30, 2010, we also recognized a net income tax provision of $0.4 million principally related to deferred taxes on unrealized appreciation of equity investments held in our taxable subsidiary.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during the six months ended June 30, 2010 was $17.9 million, or $1.22 per share, compared with a net increase in net assets resulting from operations attributable to common stock of $3.3 million, or $0.35 per share, in the corresponding period of 2009.

Liquidity and Capital Resources

Cash Flows

For the six months ended June 30, 2010, we experienced a net decrease in cash and cash equivalents in the amount of $25.9 million. During that period, we generated $6.7 million of cash from our operating activities, primarily from distributable net investment income partially offset by accretion of unearned income and increases in interest receivable and other assets. We used $87.9 million in net cash from investing activities for the six months ended June 30, 2010, principally including the funding of $85.0 million for core and private placement portfolio investments and the funding of $30.7 million for marketable securities and idle funds investments, partially offset by (i) $19.5 million of cash proceeds from the sale of marketable securities and idle funds investments, (ii) $2.5 million in cash acquired as part of the Exchange Offer, (iii) $3.2 million from the full and partial exits of equity investments and (iv) $2.7 million in cash proceeds from the repayment of core and private placement portfolio debt investments. For the first six months of 2010, $55.4 million in cash was provided by financing activities, which principally consisted of (i) $40.1 million in net cash proceeds from a January 2010 public stock offering, (ii) $9.7 million in net cash proceeds from the issuance of SBIC debentures, and (iii) $12.5 million in net borrowings under our $30 million investment credit facility, partially offset by $7.0 million in cash dividends paid to stockholders.

For the six months ended June 30, 2009, we experienced a net decrease in cash and cash equivalents in the amount of $1.0 million. During that period, we generated $3.0 million of cash from our operating activities, primarily from distributable net investment income partially offset by decreases in accounts payable and increases in other assets. We used $13.2 million in net cash from investing activities, principally including the funding of $31.8 million for idle funds investments and the funding of $6.6 million for new portfolio company investments, partially offset by $20.5 million of cash proceeds from the sale of marketable securities and idle funds investments and $4.8 million in cash proceeds from the repayment of debt investments. During the first six months of 2009, $9.2 million in cash was provided by financing activities, which principally consisted of $16.3 million in cash proceeds from a public stock offering, partially offset by $5.8 million in cash dividends to stockholders and $1.6 million in purchases of shares of our common stock as part of our share repurchase program.

Capital Resources

As of June 30, 2010, we had $19.6 million in cash and cash equivalents, marketable securities, and idle funds investments, and our net asset value totaled $185.8 million, or $12.21 per share. In January 2010, we completed a follow-on public stock offering in which we sold 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of $14.75 per share (or approximately 121% of the latest reported Net Asset Value per share), resulting in total net proceeds of approximately $40.1 million, after deducting underwriters' commissions and offering costs.

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On October 24, 2008, Main Street entered into a $30 million, three-year investment credit facility (the "Investment Facility") with Branch Banking and Trust Company ("BB&T") and Compass Bank, as lenders, and BB&T, as administrative agent for the lenders. The purpose of the Investment Facility is to provide additional liquidity in support of future investment and operational activities. The Investment Facility allows for an increase in the total size of the facility up to $75 million, subject to certain conditions, and has a maturity date of October 24, 2011. Borrowings under the Investment Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate plus 0.75%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Investment Facility. The Investment Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum liquidity of not less than 10% of the aggregate principal amount outstanding, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, and (iii) maintaining a minimum tangible net worth. At June 30, 2010, Main Street had $12.5 million in borrowings outstanding under the Investment Facility, and Main Street was in compliance with all financial covenants of the Investment Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On June 30, 2010, we, through the Funds, had $145 million of outstanding indebtedness guaranteed by the SBA, which carried an average fixed interest rate of approximately 5.5%. The first maturity related to the SBIC debentures does not occur until 2013, and the weighted average duration is 6.9 years as of June 30, 2010.

The Stimulus Bill contains several provisions applicable to SBIC funds, including the Funds. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately $137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between the Funds. Subsequent to the Exchange Offer, Main Street now has access to an incremental $80 million in SBIC leverage capacity, subject to the required capitalization of each of the Funds, in addition to the $80 million of existing MSC II SBIC leverage and the $65 million of MSMF SBIC leverage.

A recently proposed bill, the Small Business Financing and Investment Act of 2009, or HR 3854, would increase the total SBIC leverage capacity for affiliated SBIC funds from $225 million to $350 million. If enacted, this bill would increase Main Street's SBIC leverage capacity through the Funds by an additional $125 million. While Main Street is positioned to benefit from the full congressional passage of HR 3854, the ultimate form and likely outcome of such legislation or any similar legislation cannot be predicted.

Due to our existing cash and cash equivalents, marketable securities, and idle funds investments and the available borrowing capacity through both the SBIC program and the Investment Facility, we project that we will have sufficient liquidity to fund our investment and operational activities through the remainder of calendar year 2010. However, this projection will be impacted by, among other things, the pace of new and follow-on investments, debt repayments and investment redemptions, the level of cash flow from operations and cash flow from realized gains, and the level of dividends we pay in cash.

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

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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. A proposal, approved by our stockholders at our June 2010 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on June 9, 2011. We would need similar future approval from our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spillover certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received exemptive relief from the SEC that permits us to exclude SBA-guaranteed debt issued by our wholly owned SBIC subsidiary, MSMF, from our asset coverage ratio, which, in turn, enables us to fund more investments with debt capital. We expect to obtain similar relief from the SEC with respect to SBIC debt securities issued by MSC II, including the $80 million of currently outstanding debt related to its participation in the SBIC program.

Current Market Conditions

Although we have been able to secure access to additional liquidity, including our recent public stock offering, the $30 million Investment Facility, and the increase in available leverage through the SBIC program as part of the Stimulus Bill, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued ASC 810, *Amendments to FASB Interpretation No. 46(R)* ("ASC 810"), which amends the guidance in FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*. It requires reporting entities to evaluate former qualifying special-purpose entities ("QSPEs") for consolidation, changes the approach to determining the primary beneficiary of a variable interest entity (a "VIE") from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of

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a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE. ASC 810 requires additional year-end and interim disclosures for public and non-public companies. ASC 810 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 and for subsequent interim and annual reporting periods. Main Street adopted ASC 810 on January 1, 2010. The FASB agreed at its January 27, 2010 meeting to issue an Accounting Standards Update ("ASU") to finalize its proposal to indefinitely defer ASC 810 for reporting enterprises' interests in entities that either have all of the characteristics of investment companies or for which it is industry practice to apply measurement principles for financial reporting purposes consistent with those that apply to investment companies. The provisions of ASC 810 will not have any impact on Main Street's financial condition or results of operations.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of ASU 2010-06 is not expected to have a significant impact on Main Street's financial condition and results of operations.

In December 2007, the FASB issued ASC 805, *Business Combinations*. Under ASC 805, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, replacing the previous cost-allocation process. ASC 805 also includes a substantial number of new disclosure requirements. ASC 805 is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Main Street adopted ASC 805 on January 1, 2009. Main Street accounted for the Exchange Offer under ASC 805 with the impact on the financial statements discussed in Note I to the consolidated financial statements.

Inflation

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

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At June 30, 2010, we had two outstanding commitments to fund unused revolving loans for up to $1.5 million in total.

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Contractual Obligations

As of June 30, 2010, our future fixed commitments for cash payments on contractual obligations for each of the next five years and thereafter are as follows:

	Total	July 1 through December 31, 2010	2011	2012	2013	2014	2015 and thereafter
	(dollars in thousands)						
SBIC debentures	$ 145,000	$	$	$	$ 4,000	$ 18,000	$ 123,000
Interest due on SBIC debentures	55,151	3,990	7,993	8,011	7,989	7,683	19,485
Total	$ 200,151	$ 3,990	$ 7,993	$ 8,011	$ 11,989	$ 25,683	$ 142,485

MSC II is obligated to make payments under an investment advisory agreement with the Investment Manager, MSCC's wholly owned subsidiary. The payments due under the investment advisory agreement are fixed for the first five years at $3.3 million per year, paid quarterly, until December 31, 2010. Subsequent to December 31, 2010, under the investment advisory agreement, MSC II will be obligated to pay a 2% annualized management fee based upon MSC II assets under management.

MSCC is obligated to make payments under a support services agreement with the Investment Manager. The Investment Manager is reimbursed for its excess cash expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the six months ended June 30, 2010 and 2009, the expenses reimbursed by MSCC to the Investment Manager were $820,198 and $79,938, respectively.

Related Party Transactions

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At June 30, 2010 and December 31, 2009, the Investment Manager had a receivable of $601,853 and $217,422, respectively, with MSCC related to net cash expenses incurred by the Investment Manager required to support Main Street's business.

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INTERIM FINANCIAL STATEMENTS

MAIN STREET CAPITAL CORPORATION

Consolidated Balance Sheets

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Portfolio investments at fair value:		
Control investments (cost: $162,917,430 and $59,544,719 as of June 30, 2010 and December 31, 2009, respectively)	$ 172,397,494	$ 66,400,667
Affiliate investments (cost: $56,781,172 and $39,252,445 as of June 30, 2010 and December 31, 2009, respectively)	68,844,498	46,886,202
Non-Control/Non-Affiliate investments (cost: $65,260,055 and $27,482,826 as of June 30, 2010 and December 31, 2009, respectively)	64,211,930	27,416,287
Investment in affiliated Investment Manager (cost: $4,284,042 and $18,000,000 as of June 30, 2010 and December 31, 2009, respectively)	2,034,684	16,036,838
Total portfolio investments (cost: $289,242,699 and $144,279,990 as of June 30, 2010 and December 31, 2009, respectively)	307,488,606	156,739,994
Marketable securities and idle funds investments (cost: $15,131,509 and $3,252,954 as of June 30, 2010 and December 31, 2009, respectively)	14,900,228	3,252,954
Total investments (cost: $304,374,208 and $147,532,944 as of June 30, 2010 and December 31, 2009, respectively)	322,388,834	159,992,948
Cash and cash equivalents	4,730,165	30,619,998
Deferred tax asset	2,633,758	2,716,400
Interest receivable and other assets	3,311,579	1,509,608
Deferred financing costs (net of accumulated amortization of $1,267,546 and $1,071,676 as of June 30, 2010 and December 31, 2009, respectively)	1,425,950	1,611,508
Total assets	$ 334,490,286	$ 196,450,462
LIABILITIES		
SBIC debentures (par: $145,000,000 and $65,000,000 as of June 30, 2010 and December 31, 2009, respectively; of which $61,139,538 is recorded at fair value as of June 30, 2010)	$ 126,139,538	$ 65,000,000
Line of credit	12,500,000	
Interest payable	2,646,143	1,069,148
Dividend payable	1,901,630	
Payable to affiliated Investment Manager	601,853	217,422
Accounts payable and other liabilities	1,262,193	503,761
Total liabilities	145,051,357	66,790,331
Commitments and contingencies		
NET ASSETS		
Common stock, $0.01 par value per share (150,000,000 shares authorized; 15,213,053 and 10,842,447 issued and outstanding as of June 30, 2010 and December 31, 2009, respectively)	152,130	108,425
Additional paid-in capital	174,375,323	123,534,156
Accumulated net investment income	8,791,262	7,269,866
Accumulated net realized gain (loss) from investments	(18,677,108)	(15,922,020)
Net unrealized appreciation from investments, net of income taxes	21,151,217	14,669,704
Total Net Asset Value	185,792,824	129,660,131
Noncontrolling interest	3,646,105	

Total net assets including noncontrolling interests	189,438,929	129,660,131
Total liabilities and net assets	$ 334,490,286	$ 196,450,462
NET ASSET VALUE PER SHARE	$ 12.21	$ 11.96

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
INVESTMENT INCOME:				
Interest, fee and dividend income:				
Control investments	$ 4,532,343	$ 1,831,201	$ 8,127,651	$ 3,833,821
Affiliate investments	1,953,832	1,166,501	3,762,445	2,335,557
Non-Control/Non-Affiliate investments	1,686,032	258,218	2,549,428	396,173
Total interest, fee and dividend income	8,172,207	3,255,920	14,439,524	6,565,551
Interest from marketable securities, idle funds and other	560,012	344,150	1,385,534	626,944
Total investment income	8,732,219	3,600,070	15,825,058	7,192,495
EXPENSES:				
Interest	(2,111,868)	(941,577)	(4,105,105)	(1,872,912)
General and administrative	(246,194)	(430,114)	(671,898)	(744,787)
Expenses reimbursed to affiliated Investment Manager	(1,330,611)	(45,513)	(2,482,798)	(79,938)
Share-based compensation	(301,458)	(195,726)	(602,916)	(391,452)
Total expenses	(3,990,131)	(1,612,930)	(7,862,717)	(3,089,089)
NET INVESTMENT INCOME	4,742,088	1,987,140	7,962,341	4,103,406
NET REALIZED GAIN (LOSS) FROM INVESTMENTS:				
Control investments	2,301,745	98,050	(1,719,173)	865,651
Marketable securities and idle funds investments	353,487	328,220	313,948	454,843
Total net realized gain (loss) from investments	2,655,232	426,270	(1,405,225)	1,320,494
NET REALIZED INCOME	7,397,320	2,413,410	6,557,116	5,423,900
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):				
Portfolio investments	957,432	1,951,647	6,072,091	(1,453,901)
Marketable securities and idle funds investments	(484,585)	182,969	(231,281)	(171,091)
SBIC debentures	1,475,861		1,757,054	
Investment in affiliated Investment Manager	(141,117)	(283,277)	(286,196)	55,318
Total net change in unrealized appreciation (depreciation)	1,807,591	1,851,339	7,311,668	(1,569,674)
Income tax provision	(36,686)	(525,612)	(421,260)	(582,887)
Bargain purchase gain			4,890,582	
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	9,168,225	3,739,137	18,338,106	3,271,339
Noncontrolling interest	(295,559)		(408,895)	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK	$ 8,872,666	$ 3,739,137	$ 17,929,211	$ 3,271,339
NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED	$ 0.31	$ 0.21	$ 0.53	$ 0.44

NET REALIZED INCOME PER SHARE BASIC AND DILUTED	$	0.49	$	0.25	$	0.44	$	0.58
DIVIDENDS PAID PER SHARE	$	0.38	$	0.38	$	0.75	$	0.75
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE BASIC AND DILUTED	$	0.59	$	0.39	$	1.22	$	0.35
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED		15,147,091		9,520,314		14,754,121		9,323,968

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Changes in Net Assets

(Unaudited)

	Common Stock								
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Net Investment Income	Accumulated Net Realized Gain (Loss) From Investments	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, 2008	9,206,483	$ 92,065	$ 104,467,740	$ 10,155,593	$ (6,497,098)	$ 4,137,756	$ 112,356,056	$	$ 112,356,056
Dividend reinvestment	79,193	791	979,785				980,576		980,576
Public offering of common stock, net of offering costs	1,437,500	14,375	16,200,919				16,215,294		16,215,294
Share repurchase program	(164,544)	(1,645)	(1,615,461)				(1,617,106)		(1,617,106)
Share-based compensation			391,452				391,452		391,452
Dividends to stockholders				(6,304,083)	(712,843)		(7,016,926)		(7,016,926)
Net increase resulting from operations				4,103,406	1,320,494	(2,152,561)	3,271,339		3,271,339
Balances at June 30, 2009	10,558,632	$ 105,586	$ 120,424,435	$ 7,954,916	$ (5,889,447)	$ 1,985,195	$ 124,580,685	$	$ 124,580,685
Balances at December 31, 2009	10,842,447	$ 108,425	$ 123,534,156	$ 7,269,866	$ (15,922,020)	$ 14,669,704	$ 129,660,131	$	$ 129,660,131
MSC II exchange offer and related transactions	1,246,803	12,468	20,080,623	4,890,582			24,983,673	3,237,210	28,220,883
Public offering of common stock, net of offering costs	2,875,000	28,750	40,079,845				40,108,595		40,108,595
Share-based compensation			602,916				602,916		602,916
Dividend reinvestment	248,803	2,487	3,793,741				3,796,228		3,796,228
Adjustment to investment in Investment Manager related to the MSC II Exchange Offer			(13,715,958)				(13,715,958)		(13,715,958)
Dividends to stockholders				(11,331,527)	(1,349,863)		(12,681,390)		(12,681,390)
Net increase resulting from operations				7,962,341	(1,405,225)	6,890,408	13,447,524		13,447,524
Noncontrolling interest						(408,895)	(408,895)	408,895	
Balances at June 30, 2010	15,213,053	$ 152,130	$ 174,375,323	$ 8,791,262	$ (18,677,108)	$ 21,151,217	$ 185,792,824	$ 3,646,105	$ 189,438,929

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations:	$ 18,338,106	$ 3,271,339
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized (appreciation) depreciation	(7,311,668)	1,569,674
Net realized (gain) loss from investments	1,405,225	(1,320,494)
Bargain purchase gain	(4,890,582)	
Accretion of unearned income	(1,092,705)	(309,996)
Net payment-in-kind interest accrual	(429,153)	(291,475)
Share-based compensation expense	602,916	391,452
Amortization of deferred financing costs	195,868	202,054
Deferred taxes	(185)	743,676
Changes in other assets and liabilities:		
Interest receivable and other assets	(1,204,605)	(527,092)
Interest payable	233,897	1,875
Accounts payable to investment manager	384,431	
Accounts payable and other liabilities	431,922	(707,916)
Net cash provided by operating activities	6,663,467	3,023,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in portfolio companies	(85,049,545)	(6,613,657)
Investments in marketable securities and idle funds investments	(30,734,400)	(31,842,149)
Cash acquired in MSC II exchange offer	2,489,920	
Proceeds from marketable securities and idle funds investments	19,546,235	20,517,609
Principal payments received on loans and debt securities	2,670,737	4,778,280
Proceeds from sale of equity securities and related notes	3,151,500	
Net cash used in investing activities	(87,925,553)	(13,159,917)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase program		(1,617,106)
Proceeds from public offering of common stock, net of offering costs	40,108,595	16,345,401
Dividends paid to stockholders	(6,983,532)	(5,842,991)
Net change in DRIP deposit		400,000
Proceeds from issuance of SBIC debentures	10,000,000	
Proceeds from line of credit	30,650,000	
Repayments on line of credit	(18,150,000)	
Payment of deferred loan costs and SBIC debenture fees	(252,810)	(110,423)
Net cash provided by financing activities	55,372,253	9,174,881

Net decrease in cash and cash equivalents	(25,889,833)	(961,939)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	30,619,998	35,374,826
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,730,165	$ 34,412,887

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Control Investments(3)				
PPL RVs, Inc.	RV Aftermarket			
18% Secured Debt (Maturity June 10, 2015)	Consignment/Parts	6,250,000	6,159,249	6,159,249
Member Units (Fully diluted 53.3%)			2,150,000	2,150,000
			8,309,249	8,309,249
Advantage Millwork Company, Inc.	Manufacturer/Distributor of			
12% Secured Debt (Maturity February 5, 2012)	Wood Doors	7,666,667	4,770,657	3,000,000
Warrants (Fully diluted 30.5%)			97,808	
			4,868,465	3,000,000
Café Brazil, LLC	Casual Restaurant Group			
12% Secured Debt (Maturity April 20, 2011)		2,350,000	2,342,702	2,350,597
Member Units(7) (Fully diluted 41.0%)			41,837	1,770,000
			2,384,539	4,120,597
California Healthcare Medical Billing, Inc.	Healthcare Billing and			
12% Secured Debt (Maturity October 17, 2013)	Records Management	2,410,000	2,366,342	2,366,342
12% Current / 6% PIK Secured Debt (Maturity October 17, 2013)		2,303,000	2,058,223	2,129,333
Common Stock (Fully diluted 9.8%)			1,176,667	1,460,000
Warrants (Fully diluted 19.6%)			1,093,333	3,410,333
			6,694,565	9,366,008
CBT Nuggets, LLC	Produces and Sells IT			
14% Secured Debt (Maturity December 31, 2013)	Certification Training Videos	2,800,000	2,784,162	2,800,000
10% Secured Debt (Maturity March 31, 2012)		1,175,000	1,175,000	1,175,000
Member Units(7) (Fully diluted 39.9%)			1,299,520	3,110,000
			5,258,682	7,085,000
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	4,000,000	3,958,653	3,958,653
Member Units (Fully diluted 70%)			1,813,333	1,970,000
Class B Member Units (15% cumulative compounding quarterly) (Non-voting)			922,076	922,076
9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity August 31, 2014)		1,125,000	1,125,000	1,125,000
Member Units(7) (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)			625,000	625,000
			8,444,062	8,600,729
Condit Exhibits, LLC	Tradeshow Exhibits/Custom			
9% current / 9% PIK Secured Debt (Maturity July 1, 2013)	Displays	4,452,182	4,404,678	4,404,678
Warrants (Fully diluted 46.9%)			320,000	50,000
			4,724,678	4,454,678

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Currie Acquisitions, LLC	Manufacturer of Electric			
12% Secured Debt (Maturity March 1, 2015)	Bicycles/Scooters	4,750,000	3,909,638	3,909,638
Warrants (Fully diluted 47.3%)			2,566,204	2,566,204
			6,475,842	6,475,842
Gulf Manufacturing, LLC	Industrial Metal Fabrication			
8% Secured Debt (Maturity August 31, 2014)		4,300,000	4,300,000	4,300,000
13% Secured Debt (Maturity August 31, 2012)		2,000,000	1,956,075	1,995,238
9% PIK Secured Debt (Maturity June 30, 2017)		1,420,784	1,420,784	1,420,784
Member Units(7) (Fully diluted 34.2%)			2,979,813	4,382,078
			10,656,672	12,098,100
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic			
12% Secured Debt (Maturity June 4, 2015)	Generators	6,000,000	5,199,216	5,199,216
Warrants (Fully diluted 35.2%)			717,640	717,640
Mandatorily Redeemable Preferred Stock			1,000,000	1,000,000
			6,916,856	6,916,856
Hawthorne Customs & Dispatch Services, LLC	Transportation/ Logistics			
Member Units(7) (Fully diluted 59.2%)			692,500	990,000
Member Units (Wallisville Real Estate, LLC)(7) (Fully diluted 59.2%)			1,214,784	1,214,784
			1,907,284	2,204,784
Hydratec Holdings, LLC	Agricultural Services			
12.5% Secured Debt (Maturity October 31, 2012)		2,995,244	2,963,459	2,963,459
Prime plus 1% Secured Debt (Maturity October 31, 2012)		350,000	339,667	339,667
Member Units (Fully diluted 85.1%)			4,100,000	6,190,000
			7,403,126	9,493,126
Indianapolis Aviation Partners, LLC	FBO / Aviation Support			
12% Secured Debt (Maturity September 15, 2014)	Services	4,500,000	4,104,892	4,350,000
Warrants (Fully diluted 30.2%)			1,129,286	1,480,286
			5,234,178	5,830,286
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		2,610,000	2,603,599	2,610,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		2,694,896	2,685,700	2,694,896
Member Units(7) (Fully diluted 60.8%)			811,000	1,010,000
			6,100,299	6,314,896

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Mid-Columbia Lumber Products, LLC	Specialized Lumber Products			
Prime Plus 1% Secured Debt (Maturity October 1, 2010)		375,000	373,333	373,333
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,757,475	3,798,418
Member Units (Fully diluted 26.7%)			500,000	610,000
Warrants (Fully diluted 25.5%)			250,000	580,000
9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)		1,130,000	1,130,000	1,130,000
Member Units (Mid Columbia Real Estate, LLC) (Fully diluted 50.0%)			250,000	250,000
			6,260,808	6,741,751
NAPCO Precast, LLC	Precast Concrete Manufacturing			
18% Secured Debt (Maturity February 1, 2013)		5,923,077	5,848,516	5,923,077
Prime Plus 2% Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,365,193	3,384,615
Member Units(7) (Fully diluted 35.3%)			2,020,000	4,740,000
			11,233,709	14,047,692
NTS Holdings, Inc.	Trench & Traffic Safety Equipment			
12% Secured Debt (Maturity April 30, 2015)		6,000,000	5,960,861	5,960,861
Member Units(7) (Fully diluted 72.3%)			1,688,451	144,641
Preferred stock(7) (12% cumulative, compounded quarterly)			10,046,571	10,046,571
			17,695,883	16,152,073
OMi Holdings, Inc.	Manufacturer of Overhead Cranes			
12% Secured Debt (Maturity April 1, 2013)		10,370,000	10,305,433	10,305,433
Common Stock (Fully diluted 48%)			1,080,000	270,000
			11,385,433	10,575,433
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories			
9% Secured Debt (Maturity October 2, 2013)		200,000	198,701	198,701
12% Secured Debt (Maturity October 2, 2013)		5,000,000	4,809,686	4,809,686
Warrants (Fully diluted 47.1%)			895,943	400,000
			5,904,330	5,408,387
Thermal & Mechanical Equipment, LLC	Heat Exchange / Filtration Products and Services			
13% current / 5% PIK Secured Debt (Maturity September 25, 2014)		5,575,220	5,494,570	5,575,220
Prime plus 2% Secured Debt (Maturity September 25, 2014)(8)		1,750,000	1,737,968	1,737,968
Warrants (Fully diluted 50.0%)			1,000,000	1,890,000
			8,232,538	9,203,188
Uvalco Supply, LLC	Farm and Ranch Supply			
Member Units (Fully diluted 39.6%)(7)			1,113,243	1,150,000

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Vision Interests, Inc.	Manufacturer/Installer of Commercial Signage			
2.6% current /10.4% PIK Secured Debt (Maturity June 6, 2016)		9,400,000	8,424,811	8,022,651
2.6% current /10.4% PIK Secured Debt (Maturity June 5, 2012)		560,000	538,630	538,630
Common Stock (Fully diluted 22.3%)			372,000	
Warrants (Fully diluted 38.2%)			160,010	
			9,495,451	8,561,281
Ziegler's NYPD, LLC	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(8)		1,000,000	992,990	992,990
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		4,680,906	4,624,548	4,624,548
Warrants (Fully diluted 47.6%)			600,000	670,000
			6,217,538	6,287,538
Subtotal Control Investments			162,917,430	172,397,494
***Affiliate Investments*(4)**				
American Sensor Technologies, Inc.	Manufacturer of Commercial/Industrial Sensors			
9% current / 2% PIK Secured Debt (Maturity May 31, 2012)		3,606,322	3,571,609	3,571,609
Warrants (Fully diluted 19.6%)			49,990	1,010,000
			3,621,599	4,581,609
Audio Messaging Solutions, LLC	Audio Messaging Services			
12% Secured Debt (Maturity May 8, 2014)		5,516,000	5,153,823	5,264,000
Warrants (Fully diluted 8.4%)			468,373	1,120,000
			5,622,196	6,384,000
Compact Power Equipment Centers, LLC	Light to Medium Duty Equipment Rental			
12% Secured Debt (Maturity September 23, 2014)		3,000,000	2,964,615	2,964,615
Member Units (Fully diluted 11.5%)			1,147	1,147
			2,965,762	2,965,762
DrillingInfo, Inc.	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity November 20, 2014)		8,000,000	6,729,411	7,770,000
Member Units (Fully diluted 2.1%)			1,085,325	1,230,325
Warrants (Fully diluted 5.0%)			1,250,000	2,930,000
			9,064,736	11,930,325
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	500,000
Houston Plating & Coatings, LLC	Plating & Industrial Coating Services			
Prime plus 2% Secured Debt (Maturity July 18, 2013)		300,000	300,000	300,000
Member Units(7) (Fully diluted 11.1%)			335,000	2,835,000

	635,000	3,135,000

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products			
14% Secured Debt (Maturity January 23, 2011)		5,250,000	5,186,647	5,186,647
10% Secured Debt (Maturity March 31, 2011)		764,940	764,940	764,940
Member Units(7) (Fully diluted 19.3%)			340,833	1,340,333
			6,292,420	7,291,920
Laurus Healthcare, LP	Healthcare Facilities / Services			
13% Secured Debt (Maturity May 7, 2012)		3,325,000	3,325,000	3,325,000
Warrants (Fully diluted 14.1%)			79,505	3,350,000
			3,404,505	6,675,000
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(8)		1,083,331	1,078,334	1,078,334
12% current / 2% PIK Secured Debt (Maturity August 22, 2012)		1,751,136	1,704,973	1,704,973
Warrants (Fully diluted 17.0%)			54,000	54,000
			2,837,307	2,837,307
Merrick Systems, Inc.	Software and Information Technology			
13% Secured Debt (Maturity May 6, 2015)		3,000,000	2,506,500	2,506,500
Warrants (Fully diluted 6.5%)			450,000	450,000
			2,956,500	2,956,500
Olympus Building Services, Inc.	Custodial/Facilities Services			
12% Secured Debt (Maturity March 27, 2014)		3,150,000	2,961,161	3,050,000
12% Current / 3% PIK Secured Debt (Maturity March 27, 2014)		1,444,495	1,444,495	1,444,495
Warrants (Fully diluted 22.5%)			470,000	930,000
			4,875,656	5,424,495
Schneider Sales Management, LLC	Sales Consulting and Training			
13% Secured Debt (Maturity October 15, 2013)		3,333,323	3,244,295	2,720,000
Warrants (Fully diluted 13.3%)			45,000	
			3,289,295	2,720,000
Walden Smokey Point, Inc.	Specialty Transportation/Logistics			
14% current / 4% PIK Secured Debt (Maturity December 30, 2013)		8,492,765	8,366,355	8,366,355
Common Stock (Fully diluted 12.6%)			1,426,667	2,430,000
			9,793,022	10,796,355
WorldCall, Inc.	Telecommunication/Information Services			
13% Secured Debt (Maturity April 22, 2011)		646,225	646,225	646,225
Common Stock (Fully diluted 9.9%)			296,631	
			942,856	646,225
Subtotal Affiliate Investments			56,781,172	68,844,498

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Non-Control/Non-Affiliate Investments(5):				
Brand Connections, LLC	Venue-Based Marketing and			
14% Secured Debt (Maturity April 30, 2015)	Media	7,500,000	7,321,441	7,321,441
Hayden Acquisition, LLC	Manufacturer of Utility			
8% Secured Debt (Maturity August 9, 2010)	Structures	1,800,000	1,781,303	300,000
Support Systems Homes, Inc.	Manages Substance Abuse			
15% Secured Debt (Maturity August 21, 2018)	Treatment Centers	576,600	576,600	576,600
Technical Innovations, LLC	Manufacturer of Specialty			
13.5% Secured Debt (Maturity January 16, 2015)	Cutting Tools and Punches	3,250,000	3,212,977	3,250,000
Apria Healthcare Group Inc.(9)	Healthcare Services			
11.25% Secured Debt (Maturity November 1, 2014)		12,000,000	12,621,023	12,740,240
Fairway Group Acquisition(9)	Retail Grocery			
LIBOR plus 9.5% Secured Debt (Maturity October 1, 2014)(8)		4,975,000	4,858,518	4,975,000
Rentech, Inc.(9)	Manufacturer of Fertilizer			
LIBOR plus 10% Secured Debt (Maturity July 29, 2014)(8)		4,787,029	4,656,888	4,656,888
Managed Healthcare(9)	Healthcare Products			
LIBOR plus 3.25% Secured Debt (Maturity August 31, 2014)		1,987,606	1,499,195	1,659,651
Shearer's Foods, Inc.(9)	Manufacturer of Food / Snacks			
LIBOR plus 9% / 3% PIK Secured Debt (Maturity March 21, 2016)(8)		4,000,000	3,932,765	3,932,765
Alon Refining Krots(9)	Petroleum Products/Refining			
13.5% Secured Debt (Maturity October 15, 2014)		4,000,000	3,813,452	3,813,452
Full Spectrum Holdings LLC(9)	Professional Services			
LIBOR Plus 6.0% Secured Debt (Maturity December 12, 2012)(8)		1,980,074	1,508,237	1,508,237
Warrants (Fully diluted 0.28%)			412,523	412,523
			1,920,760	1,920,760
Standard Steel, LLC(9)	Manufacturer of Steel Wheels			
12.0% Secured Debt (Maturity April 30, 2015)	and Axles	3,000,000	2,894,693	2,894,693
Hoffmaster Group, Inc.(9)	Manufacturer of Specialty			
LIBOR Plus 9.00% Secured Debt (Maturity June 3, 2017)(8)	Tabletop Products	5,000,000	4,875,866	4,875,866
LIBOR Plus 4.25% Secured Debt (Maturity June 13, 2016)(8)		1,528,846	1,468,349	1,468,349

	6,344,215	6,344,215

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2010

(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
The Tennis Channel, Inc.(9)	Television-Based Sports Broadcasting			
LIBOR plus 6% / 4% PIK Secured Debt (Maturity January 1, 2013)(8)		10,014,444	9,590,738	9,590,738
Warrants (Fully diluted 0.11%)			235,487	235,487
			9,826,225	9,826,225
Subtotal Non-Control/Non-Affiliate Investments			65,260,055	64,211,930
Main Street Capital Partners, LLC (Investment Manager)	Asset Management			
100% of Membership Interests			4,284,042	2,034,684
Total Portfolio Investments, June 30, 2010			289,242,699	307,488,606
Marketable Securities and Idle Funds Investments				
Western Refining Inc.	Investments in Secured and Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
LIBOR plus 7.5% Secured Debt (Maturity August 1, 2014)(8)		1,757,629	1,700,121	1,700,121
Booz Allen Hamilton Inc.				
13% Debt (Maturity July 5, 2016)(8)		4,250,000	4,422,531	4,356,250
Terex Corporation				
7.4% Bond (Maturity January 15, 2014)		2,000,000	2,034,046	2,034,046
Rite Aid Corporation				
7.5% Bond (Maturity March 1, 2017)		2,000,000	1,882,660	1,775,160
Frontier Communications Corporation				
6.6% Bond (Maturity March 15, 2015)		2,000,000	1,988,308	1,930,808
Other Marketable Securities and Idle Funds Investments(10)		3,338,000	3,103,843	3,103,843
Total Marketable Securities and Idle Funds Investments, June 30, 2010			15,131,509	14,900,228
Total Investments, June 30, 2010			$ 304,374,208	$ 322,388,834

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

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

(3) Controlled 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.

(4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

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

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

(7) Income producing through dividends or distributions.

(8) Subject to contractual minimum interest rates.

(9) Private placement portfolio investment.

(10) Consists of various registered securities.

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Control Investments(3)				
Café Brazil, LLC	Casual Restaurant Group			
12% Secured Debt (Maturity April 20, 2011)		$ 2,500,000	$ 2,487,947	$ 2,500,000
Member Units(7) (Fully diluted 42.3%)			41,837	1,520,000
			2,529,784	4,020,000
CBT Nuggets, LLC	Produces and Sells IT			
14% Secured Debt (Maturity December 31, 2013)	Certification Training Videos	1,680,000	1,656,400	1,680,000
10% Secured Debt (Maturity March 31, 2012)		915,000	915,000	915,000
Member Units(7) (Fully diluted 24.5%)			299,520	1,500,000
			2,870,920	4,095,000
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	2,400,000	2,377,388	2,377,388
Member Units (Fully diluted 42.0%)			1,200,000	920,000
Class B Member Units (Non-voting)			218,395	218,395
9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity August 31, 2014)		537,500	537,500	537,500
Member Units(7) (Lamb's Real Estate Investment I, LLC) (Fully diluted 50%)			512,500	512,500
			4,845,783	4,565,783
Condit Exhibits, LLC	Tradeshow Exhibits/			
13% current / 5% PIK Secured Debt (Maturity July 1, 2013)	Custom Displays	2,651,514	2,622,107	2,622,107
Warrants (Fully diluted 28.1%)			300,000	30,000
			2,922,107	2,652,107
Gulf Manufacturing, LLC	Industrial Metal Fabrication			
Prime plus 1% Secured Debt (Maturity August 31, 2012)		1,200,000	1,193,135	1,200,000
13% Secured Debt (Maturity August 31, 2012)		1,000,000	937,602	998,095
Member Units(7) (Fully diluted 18.4%)			472,000	2,360,000
Warrants (Fully diluted 8.4%)			160,000	1,080,000
			2,762,737	5,638,095
Hawthorne Customs & Dispatch Services, LLC	Transportation/Logistics			
Member Units(7) (Fully diluted 44.4%)			412,500	840,000
Member Units (Wallisville Real Estate, LLC)(7) (Fully diluted 44.4%)			911,085	911,085
			1,323,585	1,751,085
Hydratec Holdings, LLC	Agricultural Services			
12.5% Secured Debt (Maturity October 31, 2012)		2,995,244	2,956,635	2,956,635
Prime plus 1% Secured Debt (Maturity October 31, 2012)		350,000	338,667	338,667
Member Units (Fully diluted 85.1%)			4,100,000	6,620,000
			7,395,302	9,915,302

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,044,000	1,035,321	1,044,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		1,067,437	1,055,154	1,067,437
Member Units(7) (Fully diluted 24.3%)			376,000	290,000
			2,466,475	2,401,437
NAPCO Precast, LLC	Precast Concrete Manufacturing			
18% Secured Debt (Maturity February 1, 2013)		5,923,077	5,837,759	5,923,077
Prime Plus 2% Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,361,940	3,384,615
Member Units(7) (Fully diluted 35.3%)			2,020,000	5,220,000
			11,219,699	14,527,692
OMi Holdings, Inc.	Manufacturer of Overhead Cranes			
12% Secured Debt (Maturity April 1, 2013)		6,342,000	6,298,395	6,298,395
Common Stock (Fully diluted 28.8%)			900,000	270,000
			7,198,395	6,568,395
Quest Design & Production, LLC	Design and Fabrication of Custom Display Systems			
Prime plus 2% Secured Debt (Maturity June 30, 2014)		60,000	60,000	
10% Secured Debt (Maturity June 30, 2014)		600,000	465,060	200,000
0% Secured Debt (Maturity June 30, 2014)		2,060,000	2,060,000	
Warrants (Fully diluted 40.0%)			1,595,858	
Warrants (Fully diluted 20.0%)			40,000	
			4,220,918	200,000
Thermal & Mechanical Equipment, LLC	Heat Exchange / Filtration Products and Services			
13% current / 5% PIK Secured Debt (Maturity September 25, 2014)		3,345,132	3,301,405	3,301,405
Prime plus 2% Secured Debt (Maturity September 25, 2014)(8)		1,050,000	1,043,471	1,043,471
Warrants (Fully diluted 30.0%)			600,000	600,000
			4,944,876	4,944,876
Uvalco Supply, LLC	Farm and Ranch Supply			
Member Units (Fully diluted 39.6%)(7)			1,113,243	1,390,000
Ziegler's NYPD, LLC	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(8)		600,000	595,252	595,252
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		2,808,544	2,775,643	2,775,643
Warrants (Fully diluted 28.6%)			360,000	360,000
			3,730,895	3,730,895
Subtotal Control Investments			59,544,719	66,400,667

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Affiliate Investments(4)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor of Wood Doors			
12% Secured Debt (Maturity February 5, 2012)		3,066,667	2,970,656	1,200,000
Warrants (Fully diluted 12.2%)			97,808	
			3,068,464	1,200,000
American Sensor Technologies, Inc.	Manufacturer of Commercial/Industrial Sensors			
Prime plus 0.5% Secured Debt (Maturity May 31, 2010)(8)		3,800,000	3,800,000	3,800,000
Warrants (Fully diluted 19.6%)			49,990	820,000
			3,849,990	4,620,000
California Healthcare Medical Billing, Inc.	Healthcare Billing and Records Management			
12% Secured Debt (Maturity October 17, 2013)		1,410,000	1,182,803	1,275,400
12% Current / 6% PIK Secured Debt (Maturity October 17, 2013)		858,794	842,583	842,583
Common Stock (Fully diluted 6.0%)			390,000	1,180,000
Warrants (Fully diluted 12.0%)			240,000	1,280,000
			2,655,386	4,577,983
Compact Power Equipment Centers, LLC	Light to Medium Duty Equipment Rental			
12% Secured Debt (Maturity September 23, 2014)		1,800,000	1,778,702	1,778,702
Member Units (Fully diluted 6.9%)			688	688
			1,779,390	1,779,390
Houston Plating & Coatings, LLC	Plating & Industrial Coating Services			
Prime plus 2% Secured Debt (Maturity July 19, 2011)		100,000	100,000	100,000
Prime plus 2% Secured Debt (Maturity July 18, 2013)		200,000	200,000	200,000
Member Units(7) (Fully diluted 11.1%)			335,000	3,565,000
			635,000	3,865,000
Indianapolis Aviation Partners, LLC	FBO / Aviation Support Services			
12% Secured Debt (Maturity September 15, 2014)		2,700,000	2,444,759	2,444,759
Warrants (Fully diluted 9.1%)			450,000	450,000
Warrants (Fully diluted 9.0%)			227,571	227,571
			3,122,330	3,122,330
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products			
14% Secured Debt (Maturity January 23, 2011)		3,937,500	3,853,825	3,853,825
8% Secured Debt (Maturity March 1, 2010)		93,750	93,750	93,750
8% Secured Debt (Maturity March 31, 2010)		450,000	450,000	450,000
Member Units(7) (Fully diluted 14.5%)			187,500	460,000
			4,585,075	4,857,575

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Laurus Healthcare, LP	Healthcare Facilities /			
13% Secured Debt (Maturity May 7, 2012)	Services	2,275,000	2,275,000	2,275,000
Warrants (Fully diluted 17.5%)			105,000	4,400,000
			2,380,000	6,675,000
National Trench Safety, LLC	Trench & Traffic Safety			
10% PIK Debt (Maturity April 16, 2014)	Equipment	447,203	447,203	447,203
Member Units (Fully diluted 11.7%)			1,792,308	700,000
			2,239,511	1,147,203
Olympus Building Services, Inc.	Custodial/Facilities Services			
12% Secured Debt (Maturity March 27, 2014)		1,890,000	1,726,931	1,830,000
12% Current / 3% PIK Secured Debt (Maturity March 27, 2014)		342,782	342,782	342,782
Warrants (Fully diluted 13.5%)			150,000	480,000
			2,219,713	2,652,782
Pulse Systems, LLC	Manufacturer of			
Warrants (Fully diluted 7.4%)	Components for			
	Medical Devices		132,856	340,000
Schneider Sales Management, LLC	Sales Consulting and			
13% Secured Debt (Maturity October 15, 2013)	Training	1,980,000	1,927,700	1,927,700
Warrants (Fully diluted 12.0%)			45,000	
			1,972,700	1,927,700
Vision Interests, Inc.	Manufacturer/ Installer of			
13% Secured Debt (Maturity June 5, 2012)	Commercial Signage	3,760,000	3,622,160	3,220,000
Common Stock (Fully diluted 8.9%)			372,000	
Warrants (Fully diluted 11.2%)			160,000	
			4,154,160	3,220,000
Walden Smokey Point, Inc.	Specialty Transportation/			
14% current / 4% PIK Secured Debt (Maturity	Logistics			
December 30, 2013)		4,995,200	4,915,014	4,915,014
Common Stock (Fully diluted 7.6%)			600,000	1,240,000
			5,515,014	6,155,014
WorldCall, Inc.	Telecommunication/			
13% Secured Debt (Maturity April 22, 2011)	Information Services	646,225	646,225	646,225
Common Stock (Fully diluted 9.9%)			296,631	100,000
			942,856	746,225
Subtotal Affiliate Investments			39,252,445	46,886,202

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Non-Control/Non-Affiliate Investments(5):				
Audio Messaging Solutions, LLC	Audio Messaging Services			
12% Secured Debt (Maturity May 8, 2014)		$ 3,376,800	$ 3,144,392	$ 3,144,392
Warrants (Fully diluted 5.0%)			215,040	380,000
			3,359,432	3,524,392
DrillingInfo, Inc.	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity November 19, 2014)		4,800,000	3,986,221	3,986,221
Warrants (Fully diluted 3.0%)			750,000	750,000
			4,736,221	4,736,221
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 3.3%)			178,780	560,000
Hayden Acquisition, LLC	Manufacturer of Utility Structures			
8% Secured Debt (Maturity August 9, 2010)		1,800,000	1,781,303	300,000
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		226,461	226,461	226,461
Technical Innovations, LLC	Manufacturer of Specialty Cutting Tools and Punches			
13.5% Secured Debt (Maturity January 16, 2015)		3,250,000	3,210,176	3,251,280
Apria Healthcare Group Inc.(9)	Healthcare Services			
11.25% Senior Secured Notes (Maturity November 1, 2014)		7,200,000	7,335,318	7,956,000
Alon Refining Krots(9)	Petroleum Refiner			
13.5% Secured Debt (Maturity October 15, 2014)		2,400,000	2,911,128	2,911,128
Fairway Group Acquisition(9)	Retail Grocery Store			
LIBOR plus 9.5% Secured Debt (Maturity October 1, 2014)(8)		3,000,000	2,280,805	2,280,805
Managed Healthcare(9)	Healthcare Products			
LIBOR plus 3.25% Secured Debt (Maturity August 31, 2014)		2,000,000	1,463,202	1,670,000
Subtotal Non-Control/Non-Affiliate Investments			27,482,826	27,416,287
Main Street Capital Partners, LLC (Investment Manager)	Asset Management			
100% of Membership Interests			18,000,000	16,036,838
Total Portfolio Investments, December 31, 2009			144,279,990	156,739,994
Marketable Securities and Idle Funds Investments	Investments in Secured and Rated Debt Investments,			
Western Refining Inc.				
LIBOR plus 5% Secured Term Loan (Maturity May 30, 2014)(8)		1,773,878	1,727,770	1,727,770

	Certificates of Deposit, and Diversified Bond Funds			
Pharmanet Development Group, Inc.				
LIBOR plus 7% Secured Term Loan (Maturity May 29, 2014)(8)		987,500	686,534	686,534

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Other Marketable Securities and Idle Funds Investments(10)		339,000	838,650	838,650
Total Marketable Securities and Idle Funds Investments, December 31, 2009			3,252,954	3,252,954
Total Investments, December 31, 2009			$ 147,532,944	$ 159,992,948

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

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

(3) Controlled 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.

(4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

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

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

(7) Income producing through payment of dividends or distributions.

(8) Subject to contractual minimum interest rates.

(9) Private placement portfolio investment.

(10) Consists of various registered securities.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION

1. Organization

Main Street Capital Corporation ("MSCC") was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP ("MSMF") and its general partner, Main Street Mezzanine Management, LLC ("MSMF GP"), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the "Investment Manager"), (iii) raising capital in an initial public offering, which was completed in October 2007 (the "IPO"), and (iv) thereafter operating as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSMF is licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA") and the Investment Manager acts as MSMF's manager and investment adviser. Because the Investment Manager, which employs all of the executive officers and other employees of MSCC, is wholly owned by MSCC, MSCC does not pay any external investment advisory fees but instead incurs the net 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. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note I).

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

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

2. Basis of Presentation

Main Street's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). For the three and six months ended June 30, 2010 and 2009, the consolidated financial statements of Main Street include the accounts of MSCC, MSMF, and the Taxable Subsidiaries. The three and six months ended June 30, 2010 also include the accounts of MSC II and related entities. To allow for more relevant disclosure of Main Street's "core" investment portfolio, "core" portfolio investments, as used herein, refers to all of Main Street's portfolio investments in lower middle market companies, excluding the Investment Manager, private placement portfolio investments, and all "Marketable securities and idle funds investments." Private placement portfolio investments include investments made through direct or secondary purchases of interest-

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)

bearing securities in companies that are generally larger in size than the lower middle market companies included in Main Street's core portfolio. The Investment Manager is accounted for as a portfolio investment (see Note D). "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.9). Main Street's results of operations and cash flows for the three and six months ended June 30, 2010 and 2009, and financial position as of June 30, 2010 and December 31, 2009, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including the reclassification of private placement portfolio investments which were formerly classified as "Marketable securities and idle funds investments" and are now classified as portfolio investments in the "Non-Control/Non-Affiliate investments" category due to Main Street's current intent to hold such investments until their maturity and the fact that their terms adhere more to Main Street's portfolio investment strategy.

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, 2010 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, 2009. 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 owns a controlled 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 investments made by Main Street qualify for this exception. Therefore, Main Street's portfolio investments are 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) from Investments" on the Statement of Operations until the investment is exited, resulting in any gain or loss on exit being recognized as a "Net Realized Gain (Loss) from Investments."

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)

Portfolio Investment Classification

Main Street classifies its portfolio investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "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. Under the 1940 Act, "Affiliate Investments" are defined as investments in which Main Street owns between 5% and 25% of the voting securities. Under the 1940 Act, "Non-Control/Non-Affiliate Investments" are defined as investments that are neither Control investments nor Affiliate investments. The "Investment in affiliated Investment Manager" represents Main Street's investment in a wholly owned investment manager subsidiary that is accounted for as a portfolio investment.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of Portfolio Investments

Main Street accounts for its core portfolio investments, private placement portfolio investments, and the Investment Manager at fair value. As a result, Main Street adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures*, in the first quarter of 2008. 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, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. With the adoption of this statement, Main Street incorporated the income approach to estimate the fair value of its core portfolio debt investments principally using a yield-to-maturity model.

Main Street's core portfolio strategy calls for it to invest primarily in illiquid securities issued by private, lower middle market companies. These core investments may be subject to restrictions on resale and will generally have no established trading market. Main Street determines in good faith the fair value of its portfolio investments 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 reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. Main Street's valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control investments are composed of equity and debt securities for which Main Street has a controlling interest in the portfolio company or has 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 investments. As a result, Main Street determines the fair value of control investments using a combination of market and income approaches. Under the market approach, Main Street will typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which an enterprise could be sold in a

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, 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 investments. 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. The valuation approaches for Main Street's control investments estimate the value of the investment if it were to sell, or exit, the investment, assuming the highest and best use of the investment by market participants. In addition, these valuation approaches consider the value associated with Main Street's ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

For valuation purposes, non-control core portfolio investments are composed of debt and equity securities 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 for investments are generally not readily available. For non-control core portfolio investments, Main Street uses a combination of market and income approaches to value its equity investments and the income approach to value its debt instruments. For non-control debt investments, Main Street determines the fair value primarily using a yield approach that analyzes the discounted cash flows of interest and principal for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of each of these portfolio investments. Main Street's estimate of the expected repayment date of a debt security is generally the legal maturity date of the instrument, as Main Street generally intends to hold its loans to maturity. The yield analysis considers changes in leverage levels, credit quality, portfolio company performance and other factors. Main Street will use the value determined by the yield 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 debt security. A change in the assumptions that Main Street uses to estimate the fair value of its debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or a debt security is in workout status, Main Street may consider other factors in determining the fair value of a debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis.

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

Pursuant to its internal valuation process, Main Street performs valuation procedures on each core portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each core portfolio investment at least once in every calendar year, and for new core 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 one or more portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a core 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 a total of 18 core portfolio companies for the six months ended June 30, 2010, representing approximately 38% of the total core portfolio investments at fair value as of June 30, 2010. Main Street consulted with its advisor relative to Main Street's determination of fair value on 8 and 10 portfolio investments for the quarters ended March 31, 2010 and June 30, 2010, respectively. The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's estimate of the fair value for the investments consistent with the 1940 Act requirements.

Main Street's private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing securities in companies that are generally larger in size than the lower middle market companies included in Main Street's core portfolio. For valuation purposes, all of Main Street's private placement portfolio investments are non-control investments and are composed of debt securities 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. As of June 30, 2010, Main Street had privately placed portfolio investments in 10 companies collectively totaling approximately $52.8 million in fair value with a total cost basis of approximately $52.4 million. The median revenues for the 10 privately placed portfolio company investments was approximately $239 million. All of Main Street's total privately placed portfolio investments at cost were in the form of secured debt investments and 83% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on Main Street's privately placed portfolio debt investments was approximately 13.5% as of June 30, 2010.

Due to the inherent uncertainty in the valuation process, Main Street's estimate of fair value 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 estimates the fair value of each individual investment and records changes in fair value as unrealized appreciation or depreciation.

2. Interest and Dividend Income

Interest and dividend income is recorded 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

policy, accrued interest and dividend income is evaluated periodically for collectability. When a loan or debt security becomes 90 days or more past due, and if Main Street otherwise does not expect the debtor to be able to service all of its debt or other obligations, Main Street will generally place the loan or debt security on non-accrual status and cease recognizing interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding ability to service the debt or other obligations, or if a loan or debt security is fully impaired or written off, it will be removed from non-accrual status.

While not significant to its total portfolio, 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 added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain regulated investment company ("RIC") tax treatment (as discussed below), these non-cash sources of income will 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.

As of June 30, 2010, Main Street had three investments on non-accrual status, which comprised approximately 3.7% of the total investment portfolio at fair value. At December 31, 2009, Main Street had three investments on non-accrual status, which comprised approximately 1.1% of the investment portfolio at fair value.

3. Fee Income Structuring and Advisory Services

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

4. Unearned Income Debt Origination Fees and Original Issue Discount

Main Street capitalizes upfront debt origination fees received in connection with financings and reflects such fees as unearned income netted against investments. Main Street will also capitalize and offset direct loan origination costs against the origination fees received. The unearned income from the fees, net of direct debt origination costs, 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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in its investment between its debt securities and its nominal cost equity at the time of origination. Any resulting discount from recording the debt is reflected as unearned income, which is netted against the debt investment, and accreted into interest income based on the effective interest method over the life of the debt.

5. 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 that fair value as share-based compensation expense over the requisite service period or vesting term.

6. Income Taxes

MSCC has elected and intends to qualify for the tax treatment applicable to a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and, among other things, intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, MSCC is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year, MSCC may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

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

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

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. 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. Net change in unrealized appreciation or depreciation from investments reflects the net change in the valuation of the investment portfolio and financial instruments pursuant to Main Street's valuation guidelines and the reclassification of any prior period unrealized appreciation or depreciation on exited investments.

8. Concentration of Credit Risks

Main Street places its cash in financial institutions, and, at times, such balances may be in excess of the federally insured limit.

9. 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, marketable securities, receivables, accounts payable and accrued liabilities approximate the fair values of such items. Marketable securities and idle funds investments generally include investments in certificates of deposit, U.S. government agency securities, intermediate-term secured debt, independently rated debt investments, and diversified bond funds. The fair value determination for these investments under the provisions of ASC 820 primarily consists of Level 2 observable inputs.

The SBIC debentures remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. As part of the Exchange Offer Transactions, 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 those SBIC debentures acquired (the "Acquired Debentures"). The fair value option was elected for the Acquired Debentures as part of the acquisition accounting related to the Exchange Offer. In order to provide for a more consistent basis of presentation, Main Street has elected and will continue to elect the fair value option for SBIC debentures issued subsequent to the Exchange Offer.

10. 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.* Based on the guidance, Main Street determined that unvested shares of restricted stock are participating securities and should therefore be 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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the Exchange Offer Transactions, the net earnings attributable to the remaining externally owned 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.

11. Recently Issued Accounting Standards

In June 2009, FASB issued ASC 810, *Amendments to FASB Interpretation No. 46(R)* ("ASC 810"), which amends the guidance in FASB Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*. It requires reporting entities to evaluate former qualifying special-purpose entities ("QSPEs") for consolidation, changes the approach to determining the primary beneficiary of a variable interest entity (a "VIE") from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE. ASC 810 requires additional year-end and interim disclosures for public and non-public companies. ASC 810 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 and for subsequent interim and annual reporting periods. Main Street adopted ASC 810 on January 1, 2010. The FASB agreed at its January 27, 2010 meeting to issue an Accounting Standards Update ("ASU") to finalize its proposal to indefinitely defer ASC 810 for reporting enterprises' interests in entities that either have all of the characteristics of investment companies or for which it is industry practice to apply measurement principles for financial reporting purposes consistent with those that apply to investment companies. The provisions of ASC 810 will not have any impact on Main Street's financial condition or results of operations.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 adds new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of ASU 2010-06 is not expected to have a significant impact on Main Street's financial condition and results of operations.

In December 2007, the FASB issued ASC 805, Business Combinations. Under ASC 805, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, replacing the previous cost-allocation process. ASC 805 also includes a substantial number of new disclosure requirements. ASC 805 is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Main Street adopted ASC 805 on January 1, 2009. Main Street accounted for the Exchange Offer under ASC 805 with the impact on the financial statements discussed in Note I.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE

In connection with valuing investments, Main Street adopted the provisions of ASC 820 in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. Main Street accounts for its investments at fair value.

Fair Value Hierarchy

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

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

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

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

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

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

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

(Level 3). Therefore, gains and losses for 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, 2010 and December 31, 2009, all of Main Street's private placement portfolio investments, marketable securities and idle funds investments consisted primarily of investments in secured debt investments, independently rated debt investments, certificates of deposit, and diversified bond funds. The fair value determination for these investments primarily consisted of observable inputs in non-active markets. As a result, all of Main Street's private placement portfolio investments, marketable securities and idle funds investments were categorized as Level 2 as of June 30, 2010 and December 31, 2009.

As of June 30, 2010 and December 31, 2009, all of Main Street's core 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 core portfolio investments were categorized as Level 3. The fair value determination of each portfolio investment required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Pending debt or capital restructuring of the portfolio company;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;

Changes in the economic environment which may have a material impact on the operating results of the portfolio company;

Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

Qualitative assessment of key management;

Contractual rights, obligations or restrictions associated with the investment; and

Other factors deemed relevant.

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, 2010:

Type of Investment	December 31, 2009 Fair Value	MSC II Exchange Offer	Accretion of Unearned Income	Redemptions/ Repayments/ Exits(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	June 30, 2010 Fair Value
Debt	$ 84,309,980	$ 56,143,458	$ 554,872	$ (5,255,097)	$ 39,707,456	$ 2,252,191	$ 1,026,753	$ 178,739,613
Equity	30,377,672	9,066,290		(1,280,685)	15,347,122	(485,735)	(682,707)	52,341,957
Equity warrants	11,197,571	5,864,324		(3,580,209)	3,733,854	(425,791)	4,818,714	21,608,463
Investment Manager	16,036,838	(13,715,958)					(286,196)	2,034,684
	$ 141,922,061	$ 57,358,114	$ 554,872	$ (10,115,991)	$ 58,788,432	$ 1,340,665	$ 4,876,564	$ 254,724,717

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

The following table provides a summary of changes in fair value of the Level 3 SBIC Debentures recorded at fair value for the six months ended June 30, 2010:

Type of Investment	December 31, 2009 Fair Value	SBIC Debentures Acquired in MSC II Exchange Offer	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	June 30, 2010 Fair Value
SBIC Debentures at fair value	$	$ 53,139,092	$	$ 10,000,000	$ (1,999,554)	$ 61,139,538

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

At June 30, 2010 and December 31, 2009, Main Street's investments and SBIC Debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurements		
At June 30, 2010	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Core portfolio investments	$ 252,690,033	$	$	$ 252,690,033
Private placement portfolio investments	52,763,889		52,763,889	
Investment in affiliated Investment Manager	2,034,684			2,034,684
Total portfolio investments	307,488,606		52,763,889	254,724,717
Marketable securities and idle funds investments	14,900,228		14,900,228	
Total investments	$ 322,388,834	$	$ 67,664,117	$ 254,724,717
SBIC Debentures at fair value	$ 61,139,538	$	$	$ 61,139,538

		Fair Value Measurements		
At December 31, 2009	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Core portfolio investments	$ 125,885,223	$	$	$ 125,885,223
Private placement portfolio investments	14,817,933		14,817,933	
Investment in affiliated Investment Manager	16,036,838			16,036,838
Total portfolio investments	156,739,994		14,817,933	141,922,061
Marketable securities and idle funds investments	3,252,954		3,252,954	
Total investments	$ 159,992,948	$	$ 18,070,887	$ 141,922,061

For the six months ended June 30, 2010, there were no transfers within the three fair value hierarchy levels.

Core Portfolio Investments

Main Street's core portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held companies. The core debt investments are secured by either a first or second lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally mature between five and seven years from the original investment. In most core portfolio

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

companies, Main Street also receives nominally priced equity warrants and/or makes direct equity investments, usually in connection with a debt investment.

As discussed further in Note D, the Investment Manager is a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment of Main Street since it conducts a significant portion of its investment management activities for parties outside of MSCC and its subsidiaries. To allow for more relevant disclosure of Main Street's core investment portfolio, Main Street's investment in the Investment Manager has been excluded from the tables and amounts set forth below in this Note C.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including repayment of a debt investment or sale of an equity interest. Revenue recognition in any given year could be highly concentrated among several core portfolio companies. For the six months ended June 30, 2010, Main Street did not record investment income from any core portfolio company in excess of 10% of total investment income. For the six months ended June 30, 2009, Main Street recorded investment income from one core portfolio company in excess of 10% of total investment income. The investment income from that core portfolio company represented approximately 11% of the total investment income for the period, principally related to interest income from debt investments in such company.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

As of June 30, 2010, Main Street had debt and equity investments in 41 core portfolio companies with an aggregate fair value of $252,690,033 and a weighted average effective yield on its debt investments of approximately 14.7%. Approximately 78% of Main Street's total core portfolio investments at cost were in the form of debt investments and 86% of such debt investments at cost were secured by first priority liens on the assets of Main Street's portfolio companies as of June 30, 2010. At June 30, 2010, Main Street had equity ownership in approximately 90% of its core portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. As of December 31, 2009, Main Street had debt and equity investments in 35 core portfolio companies with an aggregate fair value of $125,885,223 and a weighted average effective yield on its debt investments of approximately 14.3%. The weighted average yields were computed using the effective interest rates for all debt investments at June 30, 2010 and December 31, 2009, including amortization of deferred debt origination fees and accretion of original issue discount but excluding any debt investments on non-accrual status.

Summaries of the composition of Main Street's core investment portfolio at cost and fair value as a percentage of total core portfolio investments are shown in the following table:

Cost:	**June 30, 2010**	**December 31, 2009**
First lien debt	66.9%	69.3%
Equity	16.4%	13.4%
Second lien debt	10.9%	10.7%
Equity warrants	5.8%	6.6%
	100.0%	100.0%

Fair Value:	**June 30, 2010**	**December 31, 2009**
First lien debt	60.3%	57.4%
Equity	19.1%	19.5%
Second lien debt	10.4%	9.6%
Equity warrants	10.2%	13.5%
	100.0%	100.0%

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

The following table shows the core portfolio composition by geographic region of the United States at cost and fair value as a percentage of total core portfolio investments. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Cost:	June 30, 2010	December 31, 2009
Southwest	48.7%	50.1%
West	29.2%	28.6%
Southeast	10.3%	9.0%
Northeast	6.8%	5.4%
Midwest	5.0%	6.9%
	100.0%	100.0%

Fair Value:	June 30, 2010	December 31, 2009
Southwest	48.3%	51.1%
West	28.8%	28.4%
Southeast	10.8%	8.4%
Northeast	6.9%	5.8%
Midwest	5.2%	6.3%
	100.0%	100.0%

Main Street's core portfolio investments are generally in lower middle market companies conducting business in a variety of industries. Set forth below are tables showing the composition of

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

Main Street's core portfolio investments by industry at cost and fair value as of June 30, 2010 and December 31, 2009:

Cost:	**June 30, 2010**	**December 31, 2009**
Professional services	11.9%	10.1%
Equipment rental	8.9%	3.6%
Retail	8.0%	7.5%
Industrial equipment	7.9%	6.4%
Metal fabrication	7.1%	2.5%
Electronics manufacturing	5.6%	7.1%
Information services	5.6%	5.1%
Transportation/Logistics	5.0%	6.1%
Manufacturing	4.8%	4.1%
Precast concrete manufacturing	4.8%	9.7%
Health care services	4.6%	4.7%
Industrial services	3.8%	5.0%
Restaurant	3.7%	5.6%
Agricultural services	3.2%	6.6%
Media/Marketing	3.1%	
Custom wood products	2.9%	6.7%
Consumer products	2.7%	
Governmental services	2.1%	2.0%
Tradeshow	2.1%	2.6%
Health care products	1.4%	3.0%
Infrastructure products	0.8%	1.6%
	100.0%	100.0%

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND SBIC DEBENTURES AT FAIR VALUE (Continued)

Fair Value:	June 30, 2010	December 31, 2009
Professional services	12.0%	10.1%
Equipment rental	7.6%	2.3%
Retail	7.5%	6.6%
Metal fabrication	6.9%	4.5%
Industrial equipment	6.9%	5.2%
Health care services	6.6%	9.1%
Information services	6.1%	4.4%
Precast concrete manufacturing	5.6%	11.5%
Electronics manufacturing	5.2%	6.2%
Transportation/Logistics	5.1%	6.3%
Industrial services	4.9%	7.0%
Manufacturing	4.1%	3.9%
Restaurant	4.1%	6.2%
Agricultural services	3.8%	7.9%
Custom wood products	2.9%	1.6%
Media/Marketing	2.9%	
Consumer products	2.5%	
Governmental services	2.1%	2.1%
Tradeshow	1.8%	2.1%
Health care products	1.3%	2.9%
Infrastructure products	0.1%	0.1%
	100.0%	100.0%

At June 30, 2010, Main Street had no investments that were greater than 10% of its total core investment portfolio at fair value. At December 31, 2009, Main Street had one investment that was greater than 10% of its total core investment portfolio at fair value. That investment represented approximately 12% of the core 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, the Investment Manager is accounted for as a portfolio investment, since the Investment Manager is not an investment company and since it conducts a significant portion of its investment management activities for parties outside of MSCC and its consolidated subsidiaries. The Investment Manager receives recurring investment management fees from MSC II pursuant to a separate investment advisory agreement, paid quarterly, equal to $3.3 million per year. Subsequent to the closing of the Exchange Offer, the investment in the Investment Manager was reduced to reflect the pro rata portion of the MSC II management fees acquired by MSCC. The Investment Manager also receives certain management, consulting and advisory fees for providing these services for third parties, and collectively with the MSC II management fees attributable to the remaining noncontrolling interest in MSC II, the "External Services." The portfolio investment in the Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved,

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

in good faith, by Main Street's Board of Directors, based on the same valuation methodologies applied to determine the original valuation. The valuation for the Investment Manager is 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 is also based on comparable public market transactions. The net cash flows utilized in the valuation of the Investment Manager exclude any revenues and expenses from MSCC and its subsidiaries, but include the revenues attributable to External Services, and are 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 is 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 part of the Exchange Offer Transactions, the investment in the Investment Manager was reduced $13.7 million and recorded against "Additional paid-in capital" as an adjustment to the original valuation recorded as part of the Formation Transactions. Main Street believes that the valuation for the Investment Manager will generally decrease over the life of the investment management, advisory and consulting contracts attributable to third parties, absent obtaining additional recurring cash flows from performing External Services for other external investment entities or other third parties.

The Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income. The taxable income of the Investment Manager may differ from its book income due to temporary book and tax timing differences, as well as permanent differences. The Investment Manager provides for any current taxes payable and deferred tax items in its separate 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, as well as performing the External Services. 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. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash expenses incurred by the Investment Manager, less fees that the Investment Manager receives pursuant to long-term investment advisory agreements and consulting agreements. Subsequent to the consolidation of MSC II in connection with the Exchange Offer, the management fees paid by MSC II to the Investment Manager are now included in "Expenses reimbursed to affiliated Investment Manager" on the Statement of Operations along with any additional net costs reimbursed by MSCC to the Investment Manager pursuant to the support services agreement. For the six months ended June 30, 2010, the expenses reimbursed by MSCC and management fees paid by MSC II to the Investment Manager totaled $2,482,798. For the six months ended June 30, 2009, the expenses reimbursed by MSCC to the Investment Manager were $79,938.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

In its separate stand alone financial statements as summarized below, 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. 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 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. For the six months ended June 30, 2010 and 2009, the Investment Manager recognized $530,786 and $506,263 in amortization expense associated with the intangible asset. Amortization expense is not included in the expenses reimbursed by MSCC to the Investment Manager based upon the support services agreement since it is non-cash in nature.

Summarized financial information from the separate financial statements of the Investment Manager is as follows:

	As of June 30, 2010	As of December 31, 2009
	(Unaudited)	
Cash	$ 4,038	$ 70,882
Accounts receivable	66,141	24,796
Accounts receivable MSCC	601,853	217,422
Intangible asset (net of accumulated amortization of $2,655,583 and $2,124,797 as of June 30, 2010 and December 31, 2009, respectively)	15,344,417	15,875,203
Deposits and other	77,114	80,719
Total assets	$ 16,093,563	$ 16,269,022
Accounts payable and accrued liabilities	$ 893,719	$ 538,391
Equity	15,199,844	15,730,631
Total liabilities and equity	$ 16,093,563	$ 16,269,022

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Management fee income from Main Street Capital II	$ 831,300	$ 831,300	$ 1,662,600	$ 1,662,600
Other management advisory fees	92,500	48,500	190,095	114,125
Total income	923,800	879,800	1,852,695	1,776,725
Salaries, benefits and other personnel costs	(1,211,407)	(707,760)	(2,167,744)	(1,469,809)
Occupancy expense	(72,346)	(97,468)	(153,243)	(176,321)
Professional expenses	(39,962)	(5,079)	(65,380)	(12,632)
Amortization expense intangible asset	(268,252)	(255,858)	(530,786)	(506,263)
Other expenses	(99,396)	(115,006)	(286,526)	(197,901)
Expense reimbursement from MSCC	499,311	45,513	820,198	79,938
Total net expenses	(1,192,052)	(1,135,658)	(2,383,481)	(2,282,988)
Net income	$ (268,252)	$ (255,858)	$ (530,786)	$ (506,263)

NOTE E SBIC DEBENTURES

SBIC debentures payable at June 30, 2010 and December 31, 2009 were $145 million and $65 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date. The weighted average interest rate as of June 30, 2010 and December 31, 2009 was 5.51% and 5.04%, respectively. The first principal maturity due under the existing SBIC debentures is in 2013, and the weighted average duration is approximately 6.9 years. For the six months ended June 30, 2010, Main Street recognized $3.9 million in interest expense attributable to the SBIC debentures. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of June 30, 2010, the recorded value of the SBIC debentures was $126.1 million which consisted of (i) the SBIC Debentures recorded at a fair value of approximately $61.1 million, or $18.9 million less than the face value of these SBIC debentures, and (ii) SBIC debentures held prior to the Exchange Offer and reported at face value of $65 million. As of June 30, 2010, had Main Street adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately $116.3 million, or $28.7 million less than the face value of the SBIC debentures.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE F INVESTMENT CREDIT FACILITY

On October 24, 2008, Main Street entered into a $30 million, three-year investment credit facility (the "Investment Facility") with Branch Banking and Trust Company ("BB&T") and Compass Bank, as lenders, and BB&T, as administrative agent for the lenders. The purpose of the Investment Facility is to provide additional liquidity in support of future investment and operational activities. The Investment Facility allows for an increase in the total size of the facility up to $75 million, subject to certain conditions, and has a maturity date of October 24, 2011. Borrowings under the Investment Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate plus 0.75%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Investment Facility. The Investment Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Investment Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum liquidity of not less than 10% of the aggregate principal amount outstanding, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, and (iii) maintaining a minimum tangible net worth. At June 30, 2010, Main Street had $12.5 million of borrowings outstanding under the Investment Facility and recognized $175,820 in interest expense for the six months ended June 30, 2010 related to the Investment Facility. As of June 30, 2010, Main Street was in compliance with all financial covenants of the Investment Facility.

NOTE G FINANCIAL HIGHLIGHTS

Per Share Data:	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net asset value at beginning of period	$ 11.96	$ 12.20
Net investment income(1)(3)	0.53	0.44
Net realized gains (losses) from investments(1)(2)(3)	(0.09)	0.14
Net change in unrealized appreciation (depreciation)(1)(2)(3)	0.48	(0.17)
Income tax (provision) benefit(1)(2)(3)	(0.03)	(0.06)
Bargain purchase gain(1)	0.33	
Net increase in net assets resulting from operations(1)	1.22	0.35
Net decrease in net assets from dividends paid to stockholders	(0.75)	(0.75)
Accretive effect of public stock offering (issuing shares above NAV per share)	0.41	
Accretive effect of Exchange Offer	0.35	
Decrease due to non-cash impariment of investment in Investment Manager in connection with Exchange Offer Transactions	(0.90)	
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.05	0.01
Other(4)	(0.13)	(0.01)
Net asset value at June 30, 2010 and 2009	$ 12.21	$ 11.80
Market value at June 30, 2010 and 2009	$ 14.93	$ 13.69
Shares outstanding at June 30, 2010 and 2009	15,213,053	10,558,632

(1) Based on weighted average number of common shares outstanding for the period.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE G FINANCIAL HIGHLIGHTS (Continued)

(2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.

(3) Per share amounts are net of the earnings attributable to MSC II noncontrolling interest.

(4) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

	Six Months Ended June 30,	
	2010	2009
Net assets at end of period	$ 185,792,824	$ 124,580,685
Average net assets	165,233,659	114,658,227
Average outstanding debt	137,553,039	55,000,000
Ratio of total expenses, excluding interest expense, to average net assets(1)	2.21%	1.06%
Ratio of total expenses to average net assets(1)	4.63%	2.69%
Ratio of net investment income to average net assets(1)	4.73%	3.58%
Total return based on change in net asset value(2)	10.06%	2.91%

(1) Not annualized.

(2) Total return based on change in net asset value was calculated using the sum of ending net asset value plus distributions to stockholders during the period less equity issuances during the period, as divided by the beginning net asset value.

NOTE H DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME

Main Street paid monthly dividends of $0.125 per share for each month of January 2010 through June 2010, totaling $10.8 million, or $0.75 per share, for the period. During June 2010, Main Street declared and accrued a $0.125 per share monthly dividend to be paid in July 2010. For the six months ended June 30, 2009, Main Street paid total monthly dividends of approximately $6.8 million, or $0.75 per share, for the period.

The determination of the tax attributes for Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations (which Main Street did not receive during the year-to-date period of 2010). The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividend or return of capital.

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE H DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared prior to the filing of the federal income tax return for the prior year.

The Taxable Subsidiaries hold certain core portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the core portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements. The principal purpose of the Taxable Subsidiaries are to permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes in order to comply with the "source income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are not consolidated with Main Street for income tax purposes and may generate income tax expense or income tax benefit as a result of their ownership of various core portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street's Consolidated Statement of Operations. For the six months ended June 30, 2010, Main Street recognized an income tax provision of $0.4 million primarily consisting of deferred tax benefits related to net unrealized depreciation on certain portfolio investments held by the Taxable Subsidiaries.

Listed below is a reconciliation of "Net Increase (Decrease) in Net Assets Resulting From Operations" to taxable income and to total distributions declared to common stockholders for the six months ended June 30, 2010 and 2009.

	Six Months Ended June 30,	
	2010 (estimated)	2009
Net increase (decrease) in net assets resulting from operations	$ 18,338,106	$ 3,271,339
Share-based compensation expense	602,916	391,452
Net change in unrealized (appreciation) depreciation on investments	(7,311,668)	1,569,674
Bargain purchase gain	(4,890,582)	
Income tax provision	421,260	582,887
Pre-tax book loss (income) of Taxable Entities not consolidated for tax purposes	3,332,928	(623,926)
Book income and tax income differences, including debt origination, structuring fees and realized gains	629,850	(75,272)
Taxable income	11,122,810	5,116,154
Taxable income earned in prior year and carried forward for distribution in current year	848,452	2,799,963
Ordinary taxable income earned in current period and carried forward for distribution	(1,191,504)	(899,191)
Dividend accrued as of June 30, 2010 and paid in July 2010	1,901,632	
Total distributions to common stockholders	$ 12,681,390	$ 7,016,926

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE H DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

The net deferred tax asset at June 30, 2010 and December 31, 2009 was $2.6 million and $2.7 million, respectively, and primarily related to timing differences from recognition of unrealized and realized depreciation from debt and equity investments in portfolio investments as well as timing differences from taxable income from equity investments in portfolio companies which are "pass through" entities for tax purposes. Management believes that the realization of the deferred tax asset is more likely than not based on expectations as to future taxable income and scheduled reversals of temporary differences. Accordingly, Main Street did not record a valuation allowance related to its deferred tax asset at June 30, 2010.

NOTE I EXCHANGE OFFER

On January 7, 2010, MSCC consummated the Exchange Offer to exchange 1,239,695 shares (the "Exchange Shares") of its common stock for approximately 88% of the total dollar value of the limited partner interests in MSC II. Pursuant to the terms of the Exchange Offer, 100% of the membership interests in 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 managed by the Investment Manager. The Exchange Offer was applicable to all MSC II limited partner interests except for any limited partner interests owned by affiliates of MSCC, including any limited partner interests owned by officers or directors of MSCC. The Exchange Offer was formally approved by the SBA prior to closing. The Exchange Shares are subject to a one-year contractual lock-up from the Exchange Offer closing date. An approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC.

The Exchange Offer was accounted for under the acquisition method of accounting in accordance with ASC 805. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities based on their estimated fair values at the Exchange Offer acquisition date as summarized in the following table. The fair value of the MSC II net assets acquired exceeded the fair value of the

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE I EXCHANGE OFFER (Continued)

stock consideration issued, resulting in a bargain purchase gain that was recorded by Main Street in the period that the Exchange Offer was completed.

Value of the stock consideration issued for limited partner interests acquired	$	19,934,296(1)
Fair value of noncontrolling limited partner interests		3,396,005(2)
Total stock consideration and noncontrolling interest value		23,330,301
Fair value of MSC II assets and liabilities on January 7, 2010:		
Cash		2,489,920
Debt investments acquired at fair value		64,925,164
Equity investments acquired at fair value		14,930,614
Other assets		808,560
SBIC debentures at fair value		(53,139,092)
Deferred tax liability assumed		(82,827)
Other liabilities		(1,519,608)
Total fair value of MSC II net assets		28,412,731
Bargain purchase gain		5,082,430
Transaction costs associated with the Exchange Offer		(191,848)
Bargain purchase gain, net of transaction costs	$	4,890,582

(1) The value of the shares of common stock exchanged for a majority of MSC II limited partner interests was based upon the closing price of Main Street's common stock at January 7, 2010, the closing date of the Exchange Offer.

(2) The fair value of the noncontrolling limited partner interests was based on the noncontrolling interests' share in the total fair value of MSC II net assets at January 7, 2010.

Consummation of the Exchange Offer Transactions provides Main Street with access to additional long-term, low-cost leverage capacity through the SBIC program. The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill") increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds from the previous SBIC leverage cap of approximately $137 million. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between MSMF and MSC II. Main Street currently has access to an incremental $80 million in SBIC leverage capacity, subject to the required capitalization of each of the Funds, in addition to the $145 million of existing SBIC leverage at the Funds.

Supplemental pro forma information

The following represents actual operating results for the six months ended June 30, 2010 and pro forma operating results for the six months ended June 30, 2009. The pro forma operating results

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE I EXCHANGE OFFER (Continued)

assume the Exchange Offer Transactions had been completed as of the beginning of the 2009 calendar year:

	Six Months Ended June 30,	
	2010	Pro Forma 2009
	(Unaudited) (Dollars in millions except per share amounts)	
Total investment income	$ 15.8	$ 12.4
Net investment income	$ 8.0	$ 5.9
Net increase in net assets resulting from operations attributable to common stock	$ 17.9	$ 0.6
Net investment income per share basic and diluted	$ 0.53	$ 0.43
Net increase (decrease) in net assets resulting from operations attributable to common stock per share basic and diluted	$ 1.22	$ 0.04

NOTE J COMMON STOCK

In January 2010, Main Street completed a public stock offering of 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of $14.75 per share, resulting in total net proceeds of approximately $40.1 million, after deducting underwriters' commissions and offering costs.

On November 13, 2008, Main Street announced that its Board of Directors authorized its officers, in their discretion and subject to compliance with the 1940 Act and other applicable laws, to purchase on the open market or in privately negotiated transactions, an amount up to $5 million of the outstanding shares of Main Street's common stock at prices per share not to exceed Main Street's last reported net asset value per share. The repurchase program terminated as of December 31, 2009. From January through June of 2009, Main Street purchased 164,544 shares in connection with the repurchase program at a weighted average cost of $9.82 per share.

NOTE K DIVIDEND REINVESTMENT PLAN ("DRIP")

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. Main Street has the option to satisfy the share requirements of the DRIP through the issuance of shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares will be valued based upon the final closing price of MSCC's common stock on the valuation date determined for each dividend by Main Street's Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE K DIVIDEND REINVESTMENT PLAN ("DRIP") (Continued)

average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs. Main Street's DRIP is administered by its transfer agent on behalf of Main Street's record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in Main Street's DRIP but may provide a similar dividend reinvestment plan.

For the six months ended June 30, 2010, $3.8 million of the total $10.8 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 248,803 newly issued shares and with the purchase of 2,199 shares of common stock in the open market. For the six months ended June 30, 2009, $2.7 million of the total $6.8 million in dividends paid to stockholders represented DRIP participation. Main Street satisfied the DRIP participation requirements with the issuance of 79,193 newly issued shares and with the purchase of 169,742 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

NOTE L SHARE-BASED COMPENSATION

Main Street accounts for its share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation Stock Compensation.* Accordingly, for restricted stock awards, Main Street measured the grant date fair value based upon the market price of its common stock on the date of the grant and will amortize this fair value to share-based compensation expense over the requisite service period or vesting term. On July 1, 2009, Main Street's Board of Directors approved the issuance of 99,312 shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares will vest over a four-year period from the grant date and will be expensed over the four-year service period starting on the grant date. On July 1, 2008, Main Street's Board of Directors approved the issuance of 245,645 shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares are vesting over a four-year period from the grant date and are being expensed over the four-year service period starting on the grant date. As of June 30, 2010, there were 1,655,043 shares of restricted stock available for issuance to employees under the Main Street Capital Corporation 2008 Equity Incentive Plan.

On July 1, 2009, a total of 8,512 shares of restricted stock was issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares vested on the day immediately preceding Main Street's June 2010 annual meeting of stockholders and were expensed over a one-year service period starting on the grant date. On July 1, 2008, a total of 20,000 shares of restricted stock was issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. One-half of those shares vested immediately on the grant date, and the remaining half vested on the day immediately preceding the June 2009 annual meeting of stockholders. As of June 30, 2010, there were 171,488 shares of restricted stock available for issuance to non-employee directors under the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE L SHARE-BASED COMPENSATION (Continued)

For the six months ended June 30, 2010 and 2009, Main Street recognized total share-based compensation expense of $602,916 and $391,452, respectively, related to the restricted stock issued to Main Street employees and Main Street's independent directors.

As of June 30, 2010, there was $2,520,795 of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a weighted-average period of approximately 2.4 years.

NOTE M COMMITMENTS

At June 30, 2010, Main Street had two outstanding commitments to fund unused revolving loans for up to $1.5 million in total.

NOTE N SUPPLEMENTAL CASH FLOW DISCLOSURES

Listed below are the supplemental cash flow disclosures for the six months ended June 30, 2010 and 2009:

	Six Months Ended June 30,	
	2010	**2009**
Interest paid	$ 3,675,340	$ 1,668,983
Taxes paid	$ 189,573	$ 381,533
Non-cash financing activities:		
Shares issued in connection with the MSC II Exchange Offer and subsequent purchases	$ 20,093,091	$
Shares issued pursuant to the DRIP	$ 3,796,228	$ 980,576

NOTE O RELATED PARTY TRANSACTIONS

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At June 30, 2010 and December 31, 2009, the Investment Manager had a receivable of $601,853 and $217,422, respectively, due from MSCC related to net cash expenses incurred by the Investment Manager required to support Main Street's business.

NOTE P SUBSEQUENT EVENTS

On July 1, 2010, Main Street's Board of Directors approved the issuance of 149,357 shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares will vest over a four-year period from the grant date and will be expensed over a four-year service period starting on the grant date.

On July 1, 2010, a total of 7,920 shares of restricted stock was issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares will vest on the day immediately preceding the next annual meeting at which Main Street stockholders elect directors, provided that these independent directors have been in

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE P SUBSEQUENT EVENTS (Continued)

continuous service as members of the Board through such date. As a result, these shares will be expensed over a one-year service period starting on the grant date.

On July 8, 2010, Main Street exited its debt and equity investment in Advantage Millwork Company, Inc., one of the portfolio companies on non-accrual status as of June 30, 2010, at a price equal to the portfolio company's fair value at June 30, 2010. For the third quarter of 2010, Main Street will recognize a realized loss of approximately $1.9 million on the exit of this investment.

On July 30, 2010, Main Street exited its largest private placement debt investment in Apria Healthcare Group, Inc., at a price exceeding the portfolio company's fair value at June 30, 2010. Therefore, Main Street will recognize a $0.5 million realized gain in the third quarter of 2010 related to the exit of this investment.

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PROSPECTUS

$300,000,000

Main Street Capital Corporation

Common Stock

We may offer, from time to time, up to $300,000,000 of our common stock, $0.01 par value per share, in one or more offerings. Our common stock may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the consent of the majority of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. On June 10, 2010, our common stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of one year ending on the earlier of June 9, 2011 or the date of our 2011 annual stockholders meeting. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock; however, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Shares of closed-end investment companies such as us frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our common stock.

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

We are a principal investment firm focused on providing customized debt and equity financing to lower middle-market companies that operate in diverse industries. We seek to fill the current financing gap for lower middle-market businesses, which have more limited access to financing from commercial banks and other traditional sources. Given the current credit environment, we believe the limited access to financing for lower middle-market companies is even more pronounced.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We are an internally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940.

Our common stock is listed on the Nasdaq Global Select Market under the symbol "MAIN." On June 15, 2010, the last reported sale price of our common stock on the Nasdaq Global Select Market was $15.25 per share.

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

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

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

The date of this prospectus is June 17, 2010

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to $300,000,000 of our common stock on terms to be determined at the time of the offering. This prospectus provides you with a general description of the common stock that we may offer. Each time we use this prospectus to offer common stock, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under "Available Information" and "Risk Factors" before you make an investment decision.

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

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PROSPECTUS SUMMARY

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

Organization

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

Immediately following the completion of the Formation Transactions, Main Street Equity Interests, Inc. ("MSEI") was created as a wholly owned consolidated subsidiary of MSCC to hold certain of our portfolio investments. MSEI has elected for tax purposes to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income. The taxable income of MSEI may differ from its book income due to deferred tax timing differences as well as permanent differences. Similarly, MSC II has a wholly owned taxable subsidiary with the primary purpose of holding certain of its portfolio investments.

We co-invested with MSC II in several existing portfolio investments prior to the IPO, but did not co-invest with MSC II subsequent to the IPO and prior to June 2008. On June 4, 2008, we received exemptive relief from the SEC to allow us to resume co-investing with MSC II in accordance with the terms of such exemptive relief. Most of the investments held by MSC II represent co-investments made with MSCC and/or MSMF.

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its subsidiaries, including MSMF and MSMF GP, prior to the Exchange Offer Transactions and MSCC and its subsidiaries, including MSMF, MSMF GP, MSC II and MSC II GP, subsequent to the Exchange Offer Transactions.

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Overview of our Business

We are a principal investment firm focused on providing customized financing solutions to lower middle market companies, which we generally define as companies with annual revenues between $10 million and $100 million, that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of lower middle market companies based in the United States. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and realizing capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our investments generally range in size from $2 million to $20 million. Our ability to invest across a company's capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer portfolio companies a comprehensive suite of financing solutions, or "one-stop" financing.

We seek to fill the current financing gap for lower middle market businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. Given the current credit environment, we believe the limited access to financing for lower middle market companies is even more pronounced. The underserved nature of the lower middle market creates the opportunity for us to meet the financing needs of lower middle market companies while also negotiating favorable transaction terms and equity participations. Providing customized, "one stop" financing solutions has become even more relevant to our portfolio companies in the current credit environment. We generally seek to partner directly with entrepreneurs, management teams and business owners in making our investments. Main Street believes that its core investment strategy has a lower correlation to the broader debt and equity markets.

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

Our investments are made through both MSCC and the Funds. Since the IPO, MSCC and MSMF have co-invested in substantially every investment we have made. In addition, approximately 88% of the MSC II portfolio investments as of the date of the Exchange Offer represented co-investments with MSCC and/or MSMF. MSCC and the Funds share the same investment strategies and criteria in the lower middle market, although they are subject to different regulatory regimes. See "Regulation." An investor's return in MSCC will depend, in part, on the Funds' investment returns as MSMF is a wholly owned subsidiary of MSCC and as MSC II is a majority owned subsidiary of MSCC subsequent to the Exchange Offer.

We typically seek to work with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) generally taking first priority liens on assets; and (iii) providing significant equity incentives for management

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teams of our portfolio companies. We prefer negotiated deals to widely conducted auctions because we believe widely conducted auction transactions often have higher execution risk and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and leverage ratios.

As of March 31, 2010, Main Street had debt and equity investments in 38 core portfolio companies with an aggregate fair value of approximately $204.7 million and a weighted average effective yield on its debt investments of approximately 14.5%. Approximately 80% of Main Street's total core portfolio investments at cost were in the form of debt investments and 87% of such debt investments at cost were secured by first priority liens on the assets of Main Street's portfolio companies as of March 31, 2010. At March 31, 2010, Main Street had equity ownership in approximately 92% of its core portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 34%. The weighted average yield was computed using the effective interest rates for all debt investments at March 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount but excluding any debt investments on non-accrual status.

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

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

Business Strategies

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

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

Focusing on Established Companies in the Lower Middle Market. We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building management or are in the early stages of building a revenue base. In addition, established lower middle market companies generally provide opportunities for capital appreciation.

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

Investing Across Multiple Industries. We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets. This portfolio balance is intended to mitigate the potential effects of negative economic events for particular companies, regions and industries.

Capitalizing on Strong Transaction Sourcing Network. Our investment team seeks to leverage its extensive network of referral sources for investments in lower middle market companies. We have developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created a growing stream of proprietary deal flow for us.

Benefiting from Lower, Fixed, Long-Term Cost of Capital. The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our portfolio investments.

Investment Criteria

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

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

Established Companies with Positive Cash Flow. We seek to invest in established companies in the lower middle market with sound historical financial performance. We typically focus on companies that have historically generated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of $1 million to $10 million and commensurate levels of free cash flow. We generally do not invest in start-up companies or companies with speculative business plans.

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

Exit Alternatives. We exit our debt investments primarily through the repayment of our investment from internally generated cash flow and/or refinancing. In addition, we seek to invest

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in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

Recent Developments

In May 2010, Main Street announced that it recently completed three new core portfolio investments collectively totaling $26.5 million in invested capital. As part of the new core portfolio additions, Main Street closed (i) a $16.0 million investment consisting of a second lien, secured debt investment, a preferred equity investment, and a common equity investment in one of the largest and fastest growing independent providers of trench safety solutions for underground maintenance and construction activities in the United States, (ii) a $3.0 million investment consisting of a first lien, secured debt investment with equity warrant participation in a provider of information technologies to mid-stream and upstream energy companies, and (iii) a $7.5 million investment consisting of a first lien, secured debt investment in a leading venue-based media and marketing company that provides integrated "out-of-home" advertising solutions to its clients.

In June 2010, Main Street announced that it recently completed two new core portfolio investments. First, Main Street closed a $7.0 million total investment in Harrison Hydra-Gen, Ltd. ("HHG") to support a recapitalization and growth capital financing. HHG is a Houston, Texas based manufacturer of mobile hydraulic-driven generators for the fire apparatus, oilfield service and aerial work platform markets. In addition, Main Street closed an $8.3 million total investment in PPL RVs, Inc. ("PPL") to support a recapitalization and growth capital financing. PPL is one of the largest consigners of pre-owned recreational vehicles and online parts retailers in the United States.

In addition to the new core portfolio investments, since March 31, 2010, Main Street has invested $9.5 million in privately placed, interest-bearing portfolio debt securities with a weighted average interest coupon of approximately 12%.

On June 3, 2010, Main Street declared monthly dividends of $0.125 per share for each of July, August and September 2010. These monthly dividends equate to a total of $0.375 per share for the third quarter of 2010.

Main Street's Annual Meeting of Stockholders was held on June 10, 2010. At the meeting, Main Street's stockholders (i) elected the incumbent directors for a term of one year; (ii) approved a proposal to authorize Main Street, with the approval of its independent directors, to sell shares of its common stock during the next twelve months at a price below its then current net asset value per share; and (iii) approved a proposal to ratify the appointment of Grant Thornton LLP as its independent registered public accounting firm for the year ending December 31, 2010.

The Offering

We may offer, from time to time, up to $300,000,000 of our common stock, on terms to be determined at the time of the offering. Our common stock may be offered at prices and on terms to be disclosed in one or more prospectus supplements. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the consent of the majority of our common stockholders (which we received from our stockholders at our June 10, 2010 annual stockholders meeting, for a period of one year ending on the earlier of June 9, 2011 or the date of our 2011 annual stockholders meeting) or (ii) under such other circumstances as the SEC may permit. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock; however, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so.

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

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

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

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Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our stockholders. The dividend reinvestment plan is an "opt out" reinvestment plan. As a result, if we declare dividends, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."
Trading at a discount	Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
Risk factors	Investing in our common stock involves a high degree of risk. You should consider carefully the information found in "Risk Factors," including the following risks: The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Continued economic adversity could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results. Our investment portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value and, as a result of the types of investments made, there is and will continue to be uncertainty as to the value of our portfolio investments. Our financial condition and results of operations depends on our ability to effectively manage and deploy capital. We may face increasing competition for investment opportunities. We have a limited operating history as a BDC and as a RIC. Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital. The Funds are licensed by the SBA, and therefore subject to SBA regulations. Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.

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

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

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

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

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

Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment. Investing in lower middle-market companies involves a number of significant risks. Among other things, these companies:

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

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

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

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

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

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

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

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

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

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

See "Risk Factors" beginning on page 13 for a more complete discussion of these and other risks you should carefully consider before deciding to invest in shares of our common stock.

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

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FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	%(3)
Total stockholder transaction expenses (as a percentage of offering price)	%(4)
Annual Expenses (as a percentage of net assets attributable to common stock):	
Operating expenses	3.53%(5)
Interest payments on borrowed funds	4.14%(6)
Total annual expenses	7.67%(7)

Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return	$ 78.6	$ 229.2	$ 371.2	$ 692.3

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

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(1) In the event that our common stock is sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) In the event that we conduct on offering of our common stock, a corresponding prospectus supplement will disclose the estimated offering expenses.

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(3) The expenses of administering our dividend reinvestment plan are included in operating expenses.

(4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.

(5) Operating expenses represent the estimated annual expenses of MSCC and its consolidated subsidiaries, including MSC II. There is a 12% minority ownership interest in MSC II not held by MSCC or its subsidiaries. The ratio of operating expenses to net assets, net of the expenses related to the minority interest in MSC II, would be 3.37%.

(6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds.

(7) The total annual expenses are the sum of operating expenses and interest payments on borrowed funds. In the future we may borrow money to leverage our net assets and increase our total assets.

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RISK FACTORS

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

Risks Relating to Economic Conditions

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

The broader economic fundamentals of the United States economy remain at depressed levels. Unemployment levels remain elevated and consumer fundamentals remain depressed, which has led to significant reductions in spending by both consumers and businesses. In the event that the United States economy remains depressed, it is likely that the financial results of small-to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, the end markets for certain of our portfolio companies' products and services have experienced negative economic trends. We are seeing reduced operating results at several portfolio companies due to the general economic difficulties. We expect the trend of reduced operating results to continue into 2010. Consequently, we can provide no assurance that the performance of certain of our portfolio companies will not be negatively impacted by these economic or other conditions, which could also have a negative impact on our future results.

Although we have been able to secure access to additional liquidity, including our $30 million investment credit facility and the increase in available leverage through the SBIC program as part of the 2009 Stimulus Bill, the current turmoil in the debt markets and uncertainty in the equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

Risks Relating to Our Business and Structure

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

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value. Typically, there is not a public market for the securities of the privately held companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a third party independent valuation firm and our audit committee and with the oversight, review and approval of our Board of Directors.

The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by our

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

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

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

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

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

We may face increasing competition for investment opportunities.

We compete for investments with other investment funds (including private equity funds, mezzanine funds, BDCs, and other SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us, including from federal government agencies. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the market for investments in lower middle market companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

We depend on the members of our investment team, particularly Vincent D. Foster, Todd A. Reppert, Rodger A. Stout, Curtis L. Hartman, Dwayne L. Hyzak and David L. Magdol, for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Employment agreements with Messrs, Reppert, Stout, Hartman, Hyzak and Magdol expired on December 31, 2009. While all of these employees remain employed in their current positions, we have no current intention to enter into new employment agreements with such employees. Although we have entered into a non-compete agreement with Mr. Foster, we have no guarantee that he or any other employees will remain employed with us. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

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

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

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

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

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

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We have a limited operating history as a BDC and as a RIC.

The 1940 Act imposes numerous constraints on the operations of BDCs. Prior to the completion of the IPO, we did not operate, and our management team had no experience operating, as a BDC under the 1940 Act or as a RIC under Subchapter M of the Code. As a result, we have limited operating results under these regulatory frameworks that can demonstrate either their effect on our business or our ability to manage our business under these frameworks. Our management team's limited experience in managing a portfolio of assets under such constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us. If we do not remain a BDC, we might be regulated as a registered closed-end investment company under the 1940 Act, which would further decrease our operating flexibility.

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

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

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

- Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we will be prohibited from issuing debt securities or preferred stock and/or borrowing money from banks or other financial institutions until such time as we satisfy this test.

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

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

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

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

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

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

MSMF, our wholly owned subsidiary, and MSC II, our majority-owned subsidiary, are licensed to act as small business investment companies and are regulated by the SBA. The SBA also places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBA requirements may cause the Funds to forego attractive investment opportunities that are not permitted under SBA regulations.

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

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

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our common stock. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our common stockholders. We may also borrow from banks and other lenders, including under the $30 million investment credit facility we entered into in October 2008. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" for a discussion regarding our investment credit facility. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends. Leverage is generally considered a speculative investment technique.

As of March 31, 2010, we, through the Funds, had $135 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.80% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. We will need to generate sufficient cash flow to

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make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us.

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

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

	(10.0)%	**(5.0)%**	**0.0%**	**5.0%**	**10.0%**
Corresponding net return to common stockholder	(21.0)%	(12.6)%	(4.3)%	4.1%	12.5%

(1) Assumes $307.1 million in total assets, $135 million in debt outstanding, $183.8 million in net assets, and an average cost of funds of 5.80%. Actual interest payments may be different.

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

SBIC regulations limit the outstanding dollar amount of SBA-guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBIC regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC or group of SBICs under common control to $225 million. Moreover, an SBIC may not generally borrow an amount in excess of two times its regulatory capital. Because the Investment Manager provides investment management and advisory services to both Funds, MSMF and MSC II are a group of affiliated SBICs under common control. Thus, the dollar amount of SBA-guaranteed debentures that can be issued collectively by the Funds may be limited to $225 million, absent relief from the SBA. While we cannot presently predict whether or not we, through the Funds, will borrow the maximum permitted amount, if we reach the maximum dollar amount of SBA guaranteed debentures permitted, and thereafter require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Each of the Funds' current status as an SBIC does not automatically assure that it will continue to receive SBA-guaranteed debenture funding. Receipt of SBIC leverage funding is dependent upon the Funds continuing to be in compliance with SBIC regulations and policies. Moreover, the amount of SBIC leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by the Funds.

We may experience fluctuations in our quarterly results.

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

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

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

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

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

- The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see "Material U.S. Federal Income Tax Considerations Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level federal income tax.

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

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

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

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

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

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

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

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the origination of a loan or possibly in other circumstances, or contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discounts or increases in loan balances as a result of contractual PIK arrangements will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash. Approximately 4.2% of our total investment income for the year ended December 31, 2009 was attributable to paid in kind interest.

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

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

We may distribute taxable dividends that are payable in part in our stock. Under an IRS revenue procedure, up to 90% of any such taxable dividend declared on or before December 31, 2012 with respect to taxable years ended on or before December 31, 2011 could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

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

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

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

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

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

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

The 1940 Act prohibits us from selling shares of our common stock at a price below the then current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. At our 2010 annual meeting of stockholders, our stockholders approved a proposal that authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on the earlier of June 9, 2011 or the date of our 2011 annual stockholders meeting. Continued access to this exception will require approval of similar proposals at future stockholder meetings. At our 2008 annual meeting of stockholders, our stockholders also approved a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or purchase shares of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

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

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted; however, the example below illustrates the effect of dilution to existing stockholders resulting from the sale of common stock at prices below the net asset value of such shares.

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

	Prior to Sale Below NAV	Following Sale Below NAV	Percentage Change
Reduction to NAV			
Total Shares Outstanding	1,000,000	1,040,000	4.0%
NAV per share	$ 10.00	$ 9.98	(0.2)%
Dilution to Existing Stockholder			
Shares Held by Stockholder A	10,000	0,000(1)	0.0%
Percentage Held by Stockholder A	1.00%	0.96%	(3.8)%
Total Interest of Stockholder A in NAV	$ 100,000	$ 99,808	(0.2)%

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

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

We, the Funds, and our portfolio companies are subject to applicable local, state and federal laws and regulations, including, without limitation, federal immigration laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture

SBIC program could have a significant impact on our ability to obtain lower-cost leverage, through the Funds, and therefore, our ability to compete with other finance companies.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth herein and may result in our investment focus shifting from the areas of expertise of our investment team to other types of investments in which our investment team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

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

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

Risks Related to Our Investments

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

Investing in lower middle market companies involves a number of significant risks. Among other things, these companies:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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