IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
January 15, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15b-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of January, 2010

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant´s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the summary of the letter dated January 14, 2010 filed by the Company with the *Comisión Nacional de Valores* and the *Bolsa de Comercio de Buenos Aires.*

By letter dated on January 14, 2010, the Company extended the information reported to *Comisión Nacional de Valores* and the *Bolsa de Comercio de Buenos Aires* regarding the option granted to the Company by Parque Arauco S.A. (PASA).

The Company clarified that the purchase offer includes PASA s interest, directly or indirectly, on an amount of nominal value of U$S 15,472,432 Series I Fixed Rate Convertible Notes, issued by Alto Palermo S.A. (APSA) and due on 2014.

SIGNATURES

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

IRSA Inversiones y Representaciones Sociedad Anónima

By:	/s/ SAÚL ZANG
Name:	**Saúl Zang**
Title:	**Vice Chairman of the Board of Directors**

Dated: January 14, 2010

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LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity August 3, 2018)(9)

3,000 2,989 2,977

Affinity Videonet, Inc.

Video Conferencing & Managed Services

13% Secured Debt (Maturity December 31, 2015)

2,000 1,914 2,000

13% Current / 1% PIK Secured Debt (Maturity December 31, 2015)

1,132 1,125 1,125

Warrants (Fully diluted 2.6%)

63 63

3,102 3,188

API Technologies Corp.(10)

Manufacturer of Electrical Components & Equipment

LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 27, 2016)(9)

2,486 2,406 2,374

Arrowhead General Insurance Agency, Inc.(10)

Insurance

LIBOR Plus 5.75%, Current Coupon 7.50%, Secured Debt (Maturity March 4, 2017)(9)

3,970 3,900 3,932

LIBOR Plus 9.5%, Current Coupon 11.25%, Secured Debt (Maturity September 30, 2017)(9)

2,000 1,944 2,010

5,844 5,942

ATI Acquisition I Corp.(10)

Physical Therapy Facilities

LIBOR Plus 5.50%, Current Coupon 7.50%, Secured Debt (Maturity March 11, 2016)(9)

2,849 2,812 2,725

Bourland & Leverich Supply Co., LLC(10)

Distributor of Oil & Gas Tubular Goods

LIBOR Plus 9.00%, Current Coupon 11.00%, Secured Debt (Maturity August 19, 2015)(9)

4,191 4,028 4,065

Brand Connections, LLC

Venue-Based Marketing & Media

14% Secured Debt (Maturity April 30, 2015)

6,761 6,639 6,639

Brickman Group Holdings, Inc.(10)

Commercial L&scape Services

LIBOR Plus 5.50%, Current Coupon 7.25%, Secured Debt (Maturity October 14, 2016)(9)

1,990 1,962 1,997

Business Development Corporation of America(11)(12)

Investment Management

LIBOR Plus 3.50%, Current Coupon 3.77%, Secured Debt (Maturity January 14, 2013)

5,900 5,900 5,900

Carestream Health, Inc.(10)

Medical Imaging Products

LIBOR Plus 3.50%, Current Coupon 5.00%, Secured Debt (Maturity February 25, 2017)(9)

2,985 2,704 2,690

Centerplate, Inc.(10)

Food & Catering Services

LIBOR Plus 8.50%, Current Coupon 10.50%, Secured Debt (Maturity September 16, 2016)(9)

2,970 2,896 2,966

CHI Overhead Doors, Inc.(10)

Manufacturer of Overhead Garage Doors

LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity August 17, 2017)(9)

2,494 2,446 2,462

LIBOR Plus 9.50%, Current Coupon 11.00%, Secured Debt (Maturity February 17, 2018)(9)

2,500 2,452 2,463

4,898 4,925

Diversified Machine, Inc.(10)

Automotive Component Supplier

LIBOR Plus 7.75%, Current Coupon 9.25%, Secured Debt (Maturity November 28, 2017)(9)

2,000 1,960 2,001

EnCap Energy Capital Fund VIII, L.P.(11)(12)

Investment Partnership

LP Interests (Fully diluted 0.2%)

709 709

Fairway Group Acquisition Company(10)

Retail Grocery

LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 3, 2017)(9)

7,463 7,403 7,253

Flexera Software LLC(10)

Software Licensing

LIBOR Plus 9.75%, Current Coupon 11.00%, Secured Debt (Maturity September 30, 2018)(9)

3,000 2,765 2,790

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Non-Control/Non-Affiliate Investments(7)					
Fram Group Holdings, Inc.(10)	Manufacturer of Automotive Maintenance Products				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(9)	998	993	998
		LIBOR Plus 9.00%, Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9)	1,000	995	968
				1,988	1,966
Golden Nugget, LLC(10)	Hotel & Gaming				
		LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity May 24, 2016)(9)	10,000	9,636	9,450
Gundle/SLT Environmental, Inc. (10)	Manufacturer of Geosynthetic Lining Products				
		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 27, 2016)(9)	2,985	2,958	2,940
		LIBOR Plus 9.50%, Current Coupon 13.00%, Secured Debt (Maturity November 23, 2016)(9)	4,000	3,926	3,980
				6,884	6,920
Hayden Acquisition, LLC	Manufacturer of Utility Structures				
		8% Secured Debt (Maturity January 1, 2012)	1,800	1,781	
Helm Financial Corporation(10)	Railcar Leasing				
		LIBOR Plus 5.00%, Current Coupon 6.25%, Secured Debt (Maturity June 1, 2017)(9)	1,985	1,967	1,940
Henniges Automotive Holdings, Inc.(10)	Manufacturer of Auto Parts				
		LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity October 28, 2016)(9)	2,833	2,785	2,785
HMS Income LLC(11)(12)	Investment Management				
		LIBOR Plus 3.00%, Current Coupon 3.27%, Secured Debt (Maturity December 12, 2012)	7,500	7,500	7,500
HOA Restaurant Group, LLC(10)	Casual Restaurant Group				
		11.25% Bond (Maturity April 1, 2017)	2,000	2,000	1,865
Il Fornaio Corporation(10)	Casual Restaurant Group				
		LIBOR Plus 5.25%, Current Coupon 6.50%, Secured Debt (Maturity June 10, 2017)(9)	1,985	1,976	1,978
Ipreo Holdings LLC(10)	Application Software for Capital Markets				
		LIBOR Plus 6.50%, Current Coupon 8.00%, Secured Debt (Maturity August 5, 2017)(9)	4,239	4,160	4,144
Ivy Hill Middle Market Credit Fund III, Ltd.(10)(12)	Investment Partnership				

		LIBOR Plus 6.50%, Current Coupon 6.77%, Secured Debt (Maturity January 15, 2022)	2,000	1,659	1,658
JJ Lease Funding Corp.(10)	Apparel Retail				
		LIBOR Plus 8.50%, Current Coupon 10.00%, Secured Debt (Maturity April 29, 2017)(9)	3,950	3,842	3,160
Kadmon Pharmaceuticals, LLC(10)	Biopharmaceutical Products and Services				
		LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity October 31, 2012)(9)	6,000	5,899	6,255
Lawson Software, Inc.(10)	Application Software				
		LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity July 5, 2017)(9)	4,988	4,801	4,875
Liqui-Box, Inc.(10)	Supplier of Specialty Packaging				
		LIBOR Plus 5.25%, Current Coupon 6.75%, Secured Debt (Maturity December 29, 2017)(9)	3,000	2,955	2,985
Media Holdings, LLC(10)(12)	Internet Traffic Generator				
		LIBOR Plus 13.00%, Current Coupon 15.00%, Secured Debt (Maturity April 28, 2014)(9)	5,000	5,129	5,000
Medpace Intermediateco, Inc.(10)	Clinical Trial Development & Execution				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity June 17, 2017)(9)	4,975	4,905	4,726

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Non-Control/Non-Affiliate Investments(7)					
Megapath, Inc.(10)	Communications Technology				
		LIBOR Plus 10.00%, Current Coupon 12.00%, Secured Debt (Maturity November 3, 2015)(9)	3,600	3,541	3,546
Metropolitan Health Networks, Inc.(10)(12)	Healthcare Network Provider				
		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity October 4, 2016)(9)	2,000	1,971	1,940
		LIBOR Plus 11.75%, Current Coupon 13.50%, Secured Debt (Maturity October 4, 2017)(9)	3,250	3,187	3,185
				5,158	5,125
Milk Specialties Company(10)	Processor of Nutrition Products				
		LIBOR Plus 7.00%, Current Coupon 8.50%, Secured Debt (Maturity December 27, 2017)(9)	4,000	3,880	3,900
		LIBOR Plus 13.00%, Current Coupon 14.50%, Secured Debt (Maturity December 27, 2018)(9)	1,000	960	965
				4,840	4,865
Miramax Film NY, LLC (10)	Motion Picture Producer & Distributor				
		Class B Units (Fully diluted 0.2%)		500	500
Mood Media Corporation(10)(12)	Music Programming and Broadcasting				
		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity May 6, 2018)(9)	2,985	2,956	2,779
MultiPlan, Inc.(10)	Managed Healthcare Provider				
		LIBOR Plus 3.25%, Current Coupon 4.75%, Secured Debt (Maturity August 26, 2017)(9)	2,956	2,956	2,821
National Healing Corporation(10)	Wound Care Management				
		LIBOR Plus 6.75%, Current Coupon 8.25%, Secured Debt (Maturity November 30, 2017)(9)	2,750	2,614	2,653
		LIBOR Plus 10.00%, Current Coupon 11.50%, Secured Debt (Maturity November 30, 2018)(9)	1,500	1,411	1,433
		Common Equity (Fully diluted 0.02%)		50	50
				4,075	4,136
Northland Cable Television, Inc.(10)	Television Broadcasting				
		LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity December 30, 2016)(9)	4,950	4,823	4,802
Ocwen Financial Corporation(10)(12)	Residential & Commercial Loan Services				

		LIBOR Plus 5.50%, Current Coupon 7.00%, Secured Debt (Maturity September 1, 2016)(9)	4,750	4,660	4,685
Pacific Architects & Engineers Incorporated(10)	Provider of Contract Support Services				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity April 4, 2017)(9)	3,995	3,917	3,875
Phillips Plastic Corporation(10)	Custom Molder of Plastics & Metals				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 12, 2017)(9)	1,750	1,733	1,737
Physician Oncology Services, L.P.(10)	Provider of Radiation Therapy & Oncology Services				
		LIBOR Plus 4.75%, Current Coupon 6.25%, Secured Debt (Maturity January 31, 2017)(9)	942	934	904
Pierre Foods, Inc.(10)	Foodservice Supplier				
		LIBOR Plus 5.25%, Current Coupon 7.00%, Secured Debt (Maturity September 30, 2016)(9)	4,950	4,868	4,945
		LIBOR Plus 9.50%, Current Coupon 11.25%, Secured Debt (Maturity September 29, 2017)(9)	2,000	1,939	1,995
				6,807	6,940
Preferred Proppants, LLC(10)	Producer of Sand Based Proppants				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity December 15, 2016)(9)	5,000	4,877	4,889

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Non-Control/Non-Affiliate Investments(7)					
Race Point Power, LLC(10)	Electric Utilities / Power Generation				
		LIBOR Plus 6.00%, Current Coupon 7.75%, Secured Debt (Maturity January 11, 2018)(9)	4,658	4,576	4,617
Radio One, Inc.(10)	Radio Broadcasting				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity March 31, 2016)(9)	2,978	2,925	2,775
Shearer's Foods, Inc.(10)	Manufacturer of Food/ Snacks				
		12.00% Current /3.75% PIK Secured Debt (Maturity March 31, 2016)	4,262	4,179	4,092
SonicWALL, Inc.(10)	IT Security Provider				
		LIBOR Plus 6.25%, Current Coupon 8.25%, Secured Debt (Maturity January 23, 2016)(9)	1,072	1,073	1,074
Sourcehov LLC(10)	Business Process Services				
		LIBOR Plus 5.38%, Current Coupon 6.63%, Secured Debt (Maturity April 28, 2017)(9)	2,993	2,896	2,526
		LIBOR Plus 9.25%, Current Coupon 10.50%, Secured Debt (Maturity April 30, 2018)(9)	3,000	2,872	2,505
				5,768	5,031
Speedy Cash Intermediate Holdings Corp.(10)	Consumer Finance				
		10.75% Bond (Maturity May 15, 2018)	2,000	2,000	2,010
Surgery Center Holdings, Inc.(10)	Ambulatory Surgical Centers				
		LIBOR Plus 5.00%, Current Coupon 6.50%, Secured Debt (Maturity February 6, 2017)(9)	4,963	4,940	4,628
The Tennis Channel, Inc.	Television-Based Sports Broadcasting				
		LIBOR Plus 6% / 4% PIK, Current Coupon with PIK 14%, Secured Debt (Maturity January 1, 2013)(9)	10,610	11,450	11,450
		Warrants (Fully diluted 0.1%)		235	235
				11,685	11,685
Totes Isotoner Corporation(10)	Weather Accessory Retail				
		LIBOR Plus 5.75%, Current Coupon 7.25%, Secured Debt (Maturity July 7, 2017)(9)	4,976	4,883	4,839
Ulterra Drilling Technologies, L.P.(10)	Manufacturer of Oil & Gas Drilling Products				
		LIBOR Plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(9)	6,572	6,452	6,441
		LIBOR Plus 7.50%, Current Coupon 9.50%, Secured Debt (Maturity June 9, 2016)(9)	1,848	1,803	1,754
				8,255	8,195

UniTek Global Services, Inc.(10)	Provider of Outsourced Infrastructure Services				
		LIBOR Plus 7.50%, Current Coupon 9.00%, Secured Debt (Maturity April 15, 2018)(9)	6,434	6,256	6,304
VFH Parent LLC (10)	Electronic Trading & Market Making				
		LIBOR Plus 6.00%, Current Coupon 7.50%, Secured Debt (Maturity July 8, 2016)(9)	4,180	4,103	4,195
Visant Corporation (10)	School Affinity Stores				
		LIBOR Plus 4.00%, Current Coupon 5.25%, Secured Debt (Maturity December 22, 2016)(9)	3,998	3,998	3,760
Vision Solutions, Inc. (10)	Provider of Information Availability Software				
		LIBOR Plus 4.50%, Current Coupon 6.00%, Secured Debt (Maturity July 23, 2016)(9)	2,838	2,586	2,585
		LIBOR Plus 8.00%, Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)	5,000	4,955	4,850
				7,541	7,435
Walter Investment Management Corp.(10)(12)	Real Estate Services				
		LIBOR Plus 6.25%, Current Coupon 7.75%, Secured Debt (Maturity June 30, 2016)(9)	2,888	2,833	2,886
		LIBOR Plus 11.00%, Current Coupon 12.50%, Secured Debt (Maturity December 30, 2016)(9)	3,000	2,944	3,036
				5,777	5,922

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Non-Control/Non-Affiliate Investments(7)					
Willis Group, LLC	Staffing & Recruitment Services				
		12% Current / 3% PIK Secured Debt (Maturity December 19, 2014)	9,000	8,824	8,824
Wyle Services Corporation(10)	Specialized Engineering & Technical Services				
		LIBOR Plus 4.25%, Current Coupon 5.75%, Secured Debt (Maturity March 26, 2017)(9)	3,735	3,715	3,657
Yankee Cable Acquisition, LLC(10)	Broadband Service Provider				
		LIBOR Plus 4.50%, Current Coupon 6.50%, Secured Debt (Maturity August 26, 2016)(9)	3,950	3,902	3,900
Subtotal Non-Control/Non-Affiliate Investments (39.6% of total investments at fair value)				275,061	270,895
Main Street Capital Partners, LLC (Investment Manager) (0.3% of total investments at fair value)	Asset Management				
		100% of Membership Interests		4,284	1,869
Total Portfolio Investments, December 31, 2011				596,289	658,093

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MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2011

(in thousands)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Marketable Securities and Idle Funds Investments					
	Investments in Marketable Securities and Diversified, Registered Bond Funds				
A. M. Castle & Co. Bond(12)		12.75% Bond (Maturity December 15, 2016)	3,000	2,896	3,015
Fairfield Redevelopment Bond(12)		9.50% Bond (Maturity March 1, 2021)	3,085	3,132	3,254
General Motors Company(12)		Preferred stock (0.59% cumulative)(8)		255	175
Industry Bond(12)		8.00% Bond (Maturity January 1, 2020)	3,500	3,668	3,763
Pretium Packaging Bond		11.50% Bond (Maturity April 1, 2016)	4,500	4,515	4,410
San Diego Redevelopment Bond(12)		7.38% Bond (Maturity September 1, 2037)	275	275	284
Stanton Redevelopment Tax Bond(12)		9.00% Bond (Maturity December 1, 2021)	980	1,012	1,024
Stora Enso OYJ Bond(12)		7.25% Bond (Maturity April 15, 2036)	5,700	4,596	4,646
Toll Road Investors Partnership II, LP Bond(12)		Zero Coupon Bond (Maturity February 15, 2033)	7,500	1,620	1,940
United Refining Company Bond		10.50% Bond (Maturity February 28, 2017)	3,990	3,966	3,731
Subtotal Marketable Securities and Idle Funds Investments (3.8% of total investments at fair value)				25,935	26,242
Total Investments, December 31, 2011				$ 622,224	$ 684,335

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

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

(3)

See Note C for summary geographic location of portfolio companies.

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

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

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

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

(8) Income producing through dividends or distributions.

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

(10) Middle Market portfolio investment.

(11) Other portfolio investment.

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A ORGANIZATION AND BASIS OF PRESENTATION

1. Organization

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. During the first quarter of 2012, MSCC exchanged 229,634 shares of its common stock to acquire all of the remaining minority ownership in the total dollar value of the MSC II limited partnership interests, including approximately 5% owned by affiliates of MSCC (the "Final MSC II Exchange"). After the completion of the Final MSC II Exchange, MSCC owns 100% of MSC II. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests and the Final MSC II Exchange, are collectively termed the "Exchange Offer Transactions." 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. The fair value of the MSC II net assets acquired exceeded the fair value of the stock consideration issued, resulting in a bargain purchase gain of $4.9 million that was recorded by Main Street in the period that the Exchange Offer was completed.

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

MSCC has direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of these entities is to hold certain investments that generate "pass through" income for tax purposes. The 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 consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)

2. Basis of Presentation

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For the years ended December 31, 2012, 2011 and 2010 and as of December 31, 2012 and 2011, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. Portfolio investments, as used herein, refers to all of Main Street's investments in LMM portfolio companies, investments in Middle Market portfolio companies, Other Portfolio investments and investment in the Investment Manager but excludes all "Marketable securities and idle funds investments" (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Investment Composition for additional discussion of Main Street's portfolio investment composition and definitions for the terms LMM, Middle Market and Other Portfolio). The Investment Manager is accounted for as a portfolio investment (see Note D) and is not consolidated with MSCC and its consolidated subsidiaries. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on Main Street's Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.13.). Our results of operations for the years ended December 31, 2012, 2011 and 2010, cash flows for the years ended December 31, 2012, 2011 and 2010 and financial position as of December 31, 2012 and 2011, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including certain investments previously classified as Marketable securities and idle funds investments that are now considered a part of the Middle Market portfolio and are now classified as "Non-Control/Non-Affiliate investments", as defined below.

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)" on the Statement of Operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss) from Investments."

Portfolio Investment Classification

Main Street classifies its portfolio investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) "Control Investments" are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation, (b) "Affiliate Investments" are defined as investments in which Main Street owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) "Non-Control/Non-Affiliate Investments" are defined as investments that are neither Control Investments nor Affiliate Investments. The line item on Main Street's Consolidated Balance Sheets entitled "Investment in affiliated Investment Manager" represents Main

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)

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 LMM portfolio investments, Middle Market portfolio investments, Other Portfolio investments and investment in the Investment Manager at fair value. As a result, Main Street follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable, and willing and able to transact.

Main Street's portfolio strategy calls for it to invest primarily in illiquid securities issued by private, LMM companies and debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale. LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. 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. For LMM portfolio investments, Main Street reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. For Middle Market portfolio investments, Main Street primarily uses observable inputs such as quoted prices in the valuation process. For Middle Market portfolio investments for which sufficient observable inputs are not available to determine fair value, Main Street generally uses a combination of observable inputs through obtaining third party quotes or other independent pricing and an approach similar to the income approach using a yield-to-maturity model used to value its LMM portfolio debt investments. 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" LMM portfolio investments are composed of debt and equity securities in companies for which Main Street has a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Market quotations are generally not readily available for Main Street's control LMM portfolio investments. For control LMM portfolio investments, Main Street determines the fair value using a combination of market and income approaches. Under the market approach, Main Street will typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on its investments in each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to Main Street's investments in each LMM portfolio company at least once in every calendar year, and for Main Street's investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on its investments in one or more LMM portfolio companies. Such

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

instances include, but are not limited to, situations where the fair value of Main Street's investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on its investments in a total of 47 LMM portfolio companies for the year ended December 31, 2012, representing approximately 80% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of December 31, 2012 and on a total of 42 portfolio companies, including 41 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2011, representing approximately 81% of the total LMM portfolio and investment in the affiliated Investment Manager at fair value as of December 31, 2011.

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

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments for which Main Street generally does not have a controlling interest in the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. Main Street's Other Portfolio investments comprised 2.6% and 2.1%, respectively, of Main Street's investment portfolio at fair value as of December 31, 2012 and 2011. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For its Other Portfolio equity investments, Main Street determines the fair value based on the fair value of the portfolio company as determined by independent third parties and based on Main Street's proportional ownership in the portfolio company, as well as the financial position and assessed risk of each of these portfolio investments. For Other Portfolio debt investments with observable inputs, Main Street determines the fair value of these investments through obtaining third party quotes or other independent pricing. To the extent observable inputs are not available for its Other Portfolio debt investments, Main Street values these Other Portfolio debt investments through an approach similar to the income approach using a yield-to-maturity model used to value its non-control LMM portfolio debt investments.

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

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's determination of the fair value for its portfolio investments consistent with the 1940 Act requirements. Main Street believes its portfolio investments as of December 31, 2012 and 2011 approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence on those reporting dates.

2. Use of Estimates

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

3. Cash and Cash Equivalents

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

At December 31, 2012, cash balances totaling $57.5 million exceeded FDIC insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

4. Marketable Securities and Idle Funds Investments

Marketable securities and idle funds investments include investments in intermediate-term secured debt and independently rated debt investments. See the "Consolidated Schedule of Investments" for more information on Marketable securities and idle funds investments.

5. Interest 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 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 the debtor's ability to service the debt or

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

other obligations, or if a loan or debt security is fully impaired, sold or written off, it will be removed from non-accrual status.

Main Street holds debt and preferred equity instruments in its investment portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. For the years ended December 31, 2012, 2011 and 2010, (i) approximately 4.3%, 3.7% and 5.3%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.3%, 2.5% and 2.5%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of December 31, 2012, Main Street had no investments with positive fair value on non-accrual status and one fully impaired investment which comprised approximately 0.2% of the total portfolio investments at cost, in each case, excluding the investment in the affiliated Investment Manager. As of December 31, 2011, Main Street had one investment with positive fair value on non-accrual status, which comprised less than 0.1% of the total portfolio investments at fair value and, together with another fully impaired investment, comprised approximately 0.9% of the total portfolio investments at cost, in each case excluding the investment in the affiliated Investment Manager.

6. Deferred Financing Costs

Deferred financing costs include SBIC debenture commitment fees and SBIC debenture leverage fees on the SBIC debentures which are not accounted for under the fair value option under ASC 825. These deferred financing costs have been capitalized and are being amortized into interest expense over the term of the debenture agreement (10 years).

Deferred financing costs also include costs related to our multi-year investment credit facility (the "Credit Facility", as discussed further in Note G). These costs have been capitalized and are amortized into interest expense over their respective terms.

7. 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.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Main Street may also purchase debt securities at a discount or at a premium to the par value of the debt security. In the case of a purchase at a discount, Main Street records the investment at the par value of the debt security net of the discount, and the discount is accreted into interest income based on the effective interest method over the life of the debt investment. In the case of a purchase at a premium, Main Street records the investment at the par value of the debt security plus the premium, and the premium is amortized as a reduction to interest income based on the effective interest method over the life of the debt. To maintain RIC tax treatment (as discussed below in Note B.10.), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income. For the years ended December 31, 2012, 2011 and 2010, approximately 3.7%, 3.5% and 4.4%, respectively, of Main Street's total investment income was attributable to interest income for the accretion of discounts associated with debt investments, net of any premium reduction.

9. 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 to share-based compensation expense over the requisite service period or vesting term.

10. Income Taxes

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Realized Gains or Losses from Investments and Net Change in Unrealized Appreciation or Depreciation from Investments

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

12. 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.

13. Fair Value of Financial Instruments

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair values of such items due to the short term nature of these instruments. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities, independently rated debt investments, and diversified bond funds and the

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fair value determination for these investments under the provisions of ASC 820 generally consists of Level 2 observable inputs, similar in nature to those described above in "Valuation of Portfolio Investments".

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

14. Earnings per Share

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

As a result of the Exchange Offer, which left a minority portion of MSC II's equity interests owned by certain non-Main Street entities, the net earnings of MSC II attributable to the remaining noncontrolling interest in MSC II are excluded from all per share amounts presented, and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II. During the first quarter of 2012, MSCC completed the Final MSC II Exchange to acquire all of the minority portion of MSC II's equity interests not already owned by MSCC. The following table provides a reconciliation of Net Investment Income and Net Realized Income attributable to common

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

stock by excluding amounts related to the noncontrolling interest in MSC II that remained owned by non-Main Street entities for the years ended December 31, 2012, 2011 and 2010.

	Years Ended December 31,		
	2012	2011	2010
		(in thousands)	
Net Investment Income	$ 59,325	$ 39,277	$ 19,261
Noncontrolling interest share of Net Investment Income	(62)	(766)	(292)
Net Investment Income attributable to common stock	59,263	38,511	18,969
Total net realized gain from investments	16,479	2,639	(2,880)
Noncontrolling interest share of net realized (gain) from investments	(3)	(91)	41
Net Realized Income attributable to common stock	$ 75,739	$ 41,059	$ 16,130
Net Investment Income per share			
Basic and diluted	$ 2.01	$ 1.69	$ 1.16
Net Realized Income per share			
Basic and diluted	$ 2.56	$ 1.80	$ 0.99
Weighted average shares outstanding			
Basic and diluted	29,540,114	22,850,299	16,292,846

15. Recently Issued Accounting Standards

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

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

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION

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

Fair Value Hierarchy

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

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

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

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

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

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain investments.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

As of December 31, 2012 and 2011, Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of December 31, 2012, and all but one LMM portfolio investment was categorized as Level 3 as of December 31, 2011.

As of December 31, 2012 and 2011, Main Street's Middle Market portfolio investments and Marketable securities and idle funds investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted a combination of observable inputs and unobservable inputs in non-active markets. As a result, a significant portion of Main Street's Middle Market portfolio investments and all of Main Street's Marketable securities and idle funds investments were categorized as Level 2 as of December 31, 2012 and 2011. For those Middle Market portfolio investments for which sufficient observable inputs were not available to determine fair value, Main Street categorized such investments as Level 3 as of December 31, 2012 and 2011.

As of December 31, 2012 and 2011, Main Street's Other Portfolio debt investments consisted of investments in secured debt investments. The fair value determination for certain Other Portfolio debt investments consisted of observable inputs in non-active markets and, as such, were categorized as Level 2 as of December 31, 2012 and 2011. To the extent that there were Other Portfolio debt investments for which sufficient observable inputs were not available to determine fair value, Main Street categorized such investments as Level 3 as of December 31, 2012 and 2011.

As of December 31, 2012 and 2011, Main Street's Other Portfolio equity investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's Other Portfolio equity investments were categorized as Level 3 as of December 31, 2012 and 2011.

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

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

Projected operating results of the portfolio company;

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

Current information regarding any offers to purchase the investment;

Current ability of the portfolio company to raise any additional financing as needed;

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities are (i) EBITDA multiples and (ii) the weighted average cost of capital ("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM debt securities and Other Portfolio debt securities are (i) risk adjusted discount factors used in the yield-to-maturity valuation technique (described in Note B.1. Valuation of Portfolio Investments) and (ii) adjustment factors to estimate the percentage of expected principal recovery. Significant increases (decreases) in any of these yield valuation inputs in isolation would result in a significantly lower (higher) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral, and not presented in the table below.

The following table is not intended to be all-inclusive, but, rather, provides a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of December 31, 2012 and 2011.

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

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

(2) Range excludes outliers that are greater than one standard deviation from the mean.

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

Type of Investment	Fair Value as of December 31, 2011 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range(3)	Weighted Average(3)
Equity investments	$ 159,058	Discounted cash flow	Weighted average cost of capital	12.0% - 21.0%	15.5%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.5x - 7.0x(2)	6.3x
Debt investments	$ 260,190	Discounted cash flow	Risk adjusted discount factor	4.7% - 21.2%(2)	14.2%
			Adjustment factors	0.0% - 100.0%	98.1%
Total Level 3 investments	$ 419,248				

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

(2) Range excludes outliers that are greater than one standard deviation from the mean.

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

The following table provides a summary of changes in fair value of Main Street's Level 3 portfolio investments for the years ended December 31, 2012 and 2011 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2011	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments/ Exits(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other	Fair Value as of December 31, 2012
Debt	$ 260,190	33,067	$ (114,528)	$ 287,166	$ 1,104	$ 3,845	$ 6,428	$ 477,272
Equity	113,920	1,259	(16,571)	47,333	(11,187)	44,105	12,905	191,764
Equity warrants	43,269	235	(3,924)	1,880	(6,836)	6,871	(12,900)	28,595
Investment Manager(2)	1,869		(1,616)			(253)		
	$ 419,248	34,561	$ (136,639)	$ 336,379	$ (16,919)	$ 54,568	$ 6,433	$ 697,631

Type of Investment	Fair Value as of December 31, 2010	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments/ Exits(1)	New Investments(1)	Changes from Unrealized to Realized	Unrealized Appreciation (Depreciation)	Fair Value as of December 31, 2011
Debt	$ 183,894	3,316	$ (39,568)	$ 111,578	$	$ 970	$ 260,190
Equity	61,202		(500)	26,252	(397)	27,363	113,920
Equity warrants	25,081		(610)	6,686	(430)	12,542	43,269
Investment Manager(2)	2,051					(182)	1,869
	$ 272,228	3,316	$ (40,678)	$ 144,516	$ (827)	$ 40,693	$ 419,248

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

(2) Reflects the adjustment to the investment in the Investment Manager in connection with the acquisition of the remaining externally owned MSC II equity interests.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

As of December 31, 2012 and 2011, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a yield-to-maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument, as Main Street generally does not intend to repay these SBIC debentures prior to maturity.

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

The following table is not intended to be all-inclusive but, rather, provides a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of December 31, 2012 and 2011(amounts in thousands).

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

Type of Instrument	Fair Value as of December 31, 2011 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC Debentures	$ 76,887	Discounted cash flow	Estimated market interest rates	8.8% - 10.0%	9.3%

The following table provides a summary of changes for the Level 3 SBIC debentures recorded at fair value for the years ended December 31, 2012 and 2011 (amounts in thousands).

Type of Instrument	Fair Value as of December 31, 2011	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2012
SBIC Debentures at fair value	$ 76,887	$	$ 5,000	$ 4,580	$ 86,467

Type of Instrument	Fair Value as of December 31, 2010	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2011
SBIC Debentures at fair value	$ 70,558	$	$	$ 6,329	$ 76,887

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

At December 31, 2012 and 2011, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurements (in thousands)		
At December 31, 2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 510,310	$	$	$ 510,310
Middle Market portfolio investments	390,019		224,830	165,189
Other Portfolio investments	24,102		1,970	22,132
Investment in affiliated Investment Manager				
Total portfolio investments	924,431		226,800	697,631
Marketable securities and idle funds investments	28,535		28,535	
Total investments	$ 952,966	$	$ 255,335	$ 697,631
SBIC Debentures at fair value	$ 86,467	$	$	$ 86,467

		Fair Value Measurements (in thousands)		
At December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	$ 415,664	$	$ 11,685	$ 403,979
Middle Market portfolio investments	226,451		226,451	
Other Portfolio investments	14,109		709	13,400
Investment in affiliated Investment Manager	1,869			1,869
Total portfolio investments	658,093		238,845	419,248
Marketable securities and idle funds investments	26,242		26,242	
Total investments	$ 684,335	$	$ 265,087	$ 419,248
SBIC Debentures at fair value	$ 76,887	$	$	$ 76,887

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

Portfolio Investment Composition

Main Street's lower middle market ("LMM") portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's LMM portfolio companies generally have annual revenues between $10 million and $150 million, and its LMM investments generally range in size from $5 million to $25 million. The LMM debt investments are typically secured by either a first or second lien on the assets of the portfolio company, primarily bear interest at fixed rates, and generally mature between five and seven years from the original investment date. In most LMM portfolio companies, Main Street usually receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.

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

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

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could be highly concentrated among several portfolio companies. For years ended December 31, 2012, 2011 and 2010, Main Street did not record (i) investment income from any LMM portfolio company in excess of 10% of total LMM investment income, (ii) investment income from any Middle Market portfolio company in excess of 10% of total Middle Market investment income or (iii) investment income from any single portfolio company in excess of 10% of total investment income.

As of December 31, 2012, Main Street had debt and equity investments in 59 LMM portfolio companies with an aggregate fair value of approximately $510.3 million, with a total cost basis of approximately $408.0 million, and a weighted average annual effective yield on its LMM debt investments of approximately 14.2%. As of December 31, 2012, approximately 76% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 94% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2012, Main Street had equity ownership in approximately 90% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 32%. As of December 31, 2011, we had debt and equity investments in 54 LMM portfolio companies with an aggregate fair value of approximately $415.7 million, a total cost basis of approximately $349.0 million and a weighted average annual effective yield on our LMM debt investments of approximately 14.8%. As of December 31,

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

2011, approximately 74% of Main Street's total LMM portfolio investments at cost were in the form of debt investments and approximately 93% of such debt investments at cost were secured by first priority liens on the assets of Main Street's LMM portfolio companies. At December 31, 2011, Main Street had equity ownership in approximately 94% of its LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 34%. The weighted average annual yields were computed using the effective interest rates for all debt investments at December 31, 2012 and 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status.

As of December 31, 2012, Main Street had Middle Market portfolio investments in 85 companies collectively totaling approximately $390.0 million in fair value with a total cost basis of approximately $385.5 million. The weighted average revenue for the 85 Middle Market portfolio company investments was approximately $513.5 million as of December 31, 2012. As of December 31, 2012, almost all of Main Street's Middle Market portfolio investments were in the form of debt investments and approximately 92% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Middle Market portfolio debt investments was approximately 8.8% as of December 31, 2012. As of December 31, 2011, Main Street had Middle Market portfolio investments in 57 companies collectively totaling approximately $226.5 million in fair value with a total cost basis of approximately $228.9 million. The weighted average revenue for the 57 Middle Market portfolio company investments was approximately $472.6 million as of December 31, 2011. As of December 31, 2011, almost all of our Middle Market portfolio investments were in the form of debt investments and approximately 82% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average annual effective yield on Main Street's Middle Market portfolio debt investments was approximately 9.5% as of December 31, 2011. The weighted average annual yields were computed using the effective interest rates for all debt investments at December 31, 2012 and 2011, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments.

As of December 31, 2012, Main Street had Other Portfolio investments in 3 companies collectively totaling approximately $24.1 million in fair value and approximately $23.6 million in cost basis and which comprised 2.6% of Main Street's investment portfolio at fair value as of December 31, 2012. As of December 31, 2011, Main Street had Other Portfolio investments in 3 companies collectively totaling approximately $14.1 million in both fair value and cost basis and which comprised 2.1% of Main Street's investment portfolio at fair value as of December 31, 2011.

For the year ended December 31, 2012, there was one portfolio company investment transfer from the Middle Market portfolio investment category to the Other Portfolio investment category totaling $2.0 million at fair value and $1.7 million at cost as of December 31, 2012.

The following table summarizes the composition of Main Street's LMM investment portfolio, Middle Market investment portfolio and total combined LMM and Middle Market investment portfolio at cost and fair value by type of investment as a percentage of the total LMM investment portfolio, the total Middle Market investment portfolio and the total combined LMM and Middle Market investment portfolio,

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

respectively, as of December 31, 2012 and 2011 (this information excludes the Other Portfolio investments and the Investment Manager).

	December 31, 2012			December 31, 2011		
Cost:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
First lien debt	71.5%	91.4%	81.1%	69.5%	81.8%	74.4%
Equity	20.0%	0.2%	10.4%	20.5%	0.2%	12.5%
Second lien debt	4.9%	7.2%	6.0%	5.0%	18.0%	10.1%
Equity warrants	3.6%	0.0%	1.9%	5.0%	0.0%	3.0%
Other	0.0%	1.2%	0.6%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	December 31, 2012			December 31, 2011		
Fair Value:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
First lien debt	57.4%	91.3%	72.1%	57.7%	81.7%	66.2%
Equity	32.8%	0.2%	18.7%	29.0%	0.3%	18.8%
Second lien debt	3.9%	7.3%	5.4%	4.4%	18.0%	9.2%
Equity warrants	5.9%	0.0%	3.3%	8.9%	0.0%	5.8%
Other	0.0%	1.2%	0.5%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows Main Street's LMM investment portfolio, Middle Market investment portfolio, and total combined LMM and Middle Market investment portfolio composition by geographic region of the United States and other countries at cost and fair value as a percentage of the total LMM investment portfolio, the total Middle Market investment portfolio, and the total combined LMM and Middle Market investment portfolio, respectively, as of December 31, 2012 and 2011 (this information excludes the Other Portfolio investments and the Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

	December 31, 2012			December 31, 2011		
Cost:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
Southwest	43.5%	11.1%	27.8%	47.8%	16.4%	35.4%
West	30.0%	21.1%	25.6%	31.9%	13.7%	24.7%
Midwest	13.2%	22.2%	17.6%	9.0%	21.6%	14.0%
Northeast	5.6%	29.5%	17.2%	3.9%	32.6%	15.2%
Southeast	7.7%	12.5%	10.1%	7.4%	15.7%	10.7%
Non-United States	0.0%	3.6%	1.7%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

	December 31, 2012			December 31, 2011		
Fair Value:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
Southwest	46.6%	11.3%	31.3%	52.1%	16.2%	39.3%
West	28.5%	21.0%	25.3%	28.9%	13.8%	23.6%
Midwest	13.0%	22.2%	17.0%	8.7%	21.9%	13.4%
Northeast	5.3%	29.6%	15.8%	3.9%	32.4%	14.0%
Southeast	6.6%	12.4%	9.1%	6.4%	15.7%	9.7%
Non-United States	0.0%	3.5%	1.5%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Main Street's LMM and Middle Market portfolio investments are in companies conducting business in a variety of industries. The following tables show the composition of Main Street's LMM portfolio investments, Middle Market portfolio investments and total combined LMM and Middle

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

Market portfolio investments by industry at cost and fair value as of December 31, 2012 and 2011 (this information excludes the Other Portfolio investments and the Investment Manager).

	December 31, 2012			December 31, 2011		
Cost:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
Energy Equipment & Services	14.0%	2.4%	8.4%	9.2%	7.5%	8.5%
Software	6.3%	10.5%	8.3%	2.8%	8.4%	5.0%
Media	7.8%	6.5%	7.2%	8.7%	6.6%	7.9%
Machinery	9.5%	3.7%	6.7%	9.9%	2.1%	6.9%
Commercial Services & Supplies	12.5%	0.0%	6.4%	15.4%	0.9%	9.7%
Specialty Retail	7.6%	4.6%	6.1%	5.3%	5.6%	5.4%
Health Care Providers & Services	3.8%	6.8%	5.3%	6.5%	9.1%	7.5%
Construction & Engineering	7.9%	2.4%	4.7%	5.3%	0.0%	5.0%
Hotels, Restaurants & Leisure	4.1%	2.9%	3.5%	2.1%	7.2%	4.1%
Diversified Consumer Services	4.5%	1.9%	3.2%	2.7%	0.0%	1.6%
IT Services	0.0%	5.7%	2.8%	0.0%	4.1%	1.6%
Electronic Equipment, Instruments & Components	3.4%	1.7%	2.6%	4.6%	0.0%	2.8%
Metals & Mining	0.0%	4.5%	2.2%	0.0%	0.0%	0.0%
Professional Services	0.0%	4.6%	2.2%	3.5%	0.0%	2.1%
Food Products	0.0%	4.0%	2.0%	0.0%	3.9%	1.6%
Chemicals	0.0%	4.1%	2.0%	0.0%	3.8%	1.5%
Building Products	2.3%	1.6%	2.0%	2.6%	0.0%	1.6%
Insurance	2.8%	1.3%	2.0%	3.1%	2.6%	2.9%
Aerospace & Defense	0.0%	3.8%	1.9%	0.0%	0.0%	0.0%
Construction Materials	1.1%	1.4%	1.7%	1.1%	4.4%	0.7%
Oil, Gas & Consumable Fuels	0.0%	3.2%	1.6%	0.0%	0.0%	0.0%
Containers & Packaging	0.0%	3.1%	1.5%	0.0%	1.3%	0.5%
Health Care Equipment & Supplies	1.6%	1.3%	1.5%	2.2%	1.2%	1.8%
Consumer Finance	2.4%	0.0%	1.2%	3.0%	0.9%	2.1%
Communications Equipment	0.0%	2.5%	1.2%	0.0%	0.5%	0.2%
Paper & Forest Products	2.0%	0.0%	1.0%	2.2%	0.0%	1.3%
Transportation Infrastructure	1.7%	0.0%	0.9%	2.0%	0.0%	1.2%
Pharmaceuticals	0.0%	1.6%	0.8%	0.0%	2.6%	1.0%
Internet & Catalog Retail	0.0%	1.4%	0.7%	0.0%	2.2%	0.9%
Biotechnology	0.0%	1.2%	0.6%	0.0%	2.2%	0.8%
Food & Staples Retailing	0.0%	1.0%	0.5%	0.0%	6.2%	2.5%
Auto Components	0.0%	1.0%	0.5%	0.0%	2.9%	1.2%
Real Estate Management & Development	0.0%	0.6%	0.3%	0.0%	2.5%	1.0%
Internet Software & Services	0.3%	0.0%	0.2%	3.0%	0.0%	1.8%
Thrifts & Mortgage Finance	0.0%	0.3%	0.1%	0.0%	2.0%	0.8%
Electric Utilities	0.0%	0.0%	0.0%	0.0%	2.0%	0.8%
Other(1)	4.4%	8.4%	6.2%	4.8%	7.3%	5.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

	December 31, 2012			December 31, 2011		
Fair Value:	**LMM**	**Middle Market**	**Total**	**LMM**	**Middle Market**	**Total**
Energy Equipment & Services	16.2%	2.3%	10.2%	11.2%	7.5%	9.8%
Machinery	11.8%	3.7%	8.3%	10.7%	2.2%	7.7%
Software	5.9%	10.4%	7.9%	2.8%	8.4%	4.8%
Media	6.9%	6.6%	6.7%	7.4%	6.5%	7.1%
Commercial Services & Supplies	10.7%	0.0%	6.1%	13.5%	0.9%	9.0%
Health Care Providers & Services	4.2%	6.8%	5.3%	7.4%	9.0%	7.9%
Construction & Engineering	7.9%	2.4%	5.1%	6.0%	0.0%	5.5%
Specialty Retail	5.3%	4.5%	4.9%	3.8%	5.2%	4.3%
Diversified Consumer Services	5.7%	1.9%	4.0%	3.7%	0.0%	2.4%
Hotels, Restaurants & Leisure	3.9%	2.9%	3.5%	2.5%	7.2%	4.2%
IT Services	0.0%	5.7%	2.5%	0.0%	3.8%	1.4%
Electronic Equipment, Instruments & Components	2.9%	1.8%	2.4%	3.7%	0.0%	2.4%
Professional Services	0.0%	4.6%	2.0%	2.2%	0.0%	1.4%
Metals & Mining	0.0%	4.5%	1.9%	0.0%	0.0%	0.0%
Food Products	0.0%	4.1%	1.8%	0.0%	4.0%	1.4%
Chemicals	0.0%	4.2%	1.8%	0.0%	3.8%	1.3%
Insurance	2.2%	1.3%	1.8%	2.6%	2.6%	2.6%
Trading Companies & Distributors	2.5%	0.8%	1.7%	2.6%	0.0%	1.7%
Aerospace & Defense	0.0%	3.8%	1.7%	0.0%	0.0%	0.0%
Oil, Gas & Consumable Fuels	0.0%	3.3%	1.4%	0.0%	0.0%	0.0%
Construction Materials	0.7%	1.4%	1.4%	0.8%	4.5%	0.5%
Containers & Packaging	0.0%	3.1%	1.3%	0.0%	1.3%	0.5%
Paper & Forest Products	2.0%	0.0%	1.2%	2.2%	0.0%	1.4%
Consumer Finance	1.9%	0.0%	1.1%	2.5%	0.9%	1.9%
Communications Equipment	0.0%	2.5%	1.1%	0.0%	0.5%	0.2%
Transportation Infrastructure	1.7%	0.0%	1.0%	2.0%	0.0%	1.3%
Pharmaceuticals	0.0%	1.6%	0.7%	0.0%	2.8%	1.0%
Internet Software & Services	1.1%	0.0%	0.6%	5.8%	0.0%	3.7%
Internet & Catalog Retail	0.0%	1.3%	0.6%	0.0%	2.2%	0.8%
Biotechnology	0.0%	1.1%	0.5%	0.0%	2.1%	0.7%
Food & Staples Retailing	0.0%	1.0%	0.4%	0.0%	6.3%	2.2%
Auto Components	0.0%	1.0%	0.4%	0.0%	3.0%	1.1%
Real Estate Management & Development	0.0%	0.6%	0.3%	0.0%	2.6%	0.9%
Thrifts & Mortgage Finance	0.0%	0.3%	0.1%	0.0%	2.1%	0.7%
Electric Utilities	0.0%	0.0%	0.0%	0.0%	2.0%	0.7%
Other(1)	6.5%	10.5%	8.3%	6.6%	8.6%	7.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)

At December 31, 2012 and 2011, Main Street had no LMM investments that were greater than 10% of its total LMM investment portfolio at fair value, no Middle Market investments that were greater than 10% of its total Middle Market investment portfolio at fair value and no portfolio investments that were greater than 10% of the total investment portfolio at fair value.

NOTE D WHOLLY OWNED INVESTMENT MANAGER

As part of the Formation Transactions, the Investment Manager became a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment since the Investment Manager is not an investment company and since it has historically conducted 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. The payments due under the investment advisory agreement were fixed at $3.3 million per year, paid quarterly, until September 30, 2010. Subsequent to September 30, 2010, under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon the MSC II assets under management. Subsequent to the Exchange Offer, the investment in the Investment Manager was reduced to reflect the remaining pro rata portion of the MSC II equity and the related portion of the MSC II management fees that were not acquired in the Exchange Offer. Upon completion of the Final MSC II Exchange in the first quarter of 2012, the investment in the Investment Manager was further reduced to reflect MSCC's ownership of all of the MSC II equity and the related MSC II management fees. The Investment Manager also receives certain management, consulting and advisory fees for providing these services to third parties (the "External Services"). During May of 2012, MSCC and the Investment Manager executed an investment sub-advisory agreement to provide certain investment advisory services to HMS Adviser, LP, which is the investment advisor to HMS Income Fund, Inc. ("HMS Income"). HMS Income is a newly-formed BDC whose registration statement on Form N-2 was declared effective by the Securities and Exchange Commission (the "SEC") in June 2012. Under the investment sub-advisory agreement, the Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. However, for the one-year period from the effective date of HMS Adviser's registration statement on Form N-2 through June 4, 2013, the Investment Manager has agreed to waive all such fees to the extent that distributions declared and payable by HMS Income would represent a return of capital for purposes of U.S. federal income tax. As a result, as of December 31, 2012, the Investment Manager has not received any base management fee or incentive fees under the investment sub-advisory agreement and the Investment Manager is not due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement. 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

Manager manages the day-to-day operational and investment activities of MSCC and its subsidiaries. The Investment Manager pays personnel and other administrative expenses, except those specifically required to be borne by MSCC which principally include direct costs that are specific to MSCC's status as a publicly traded entity. The expenses paid by the Investment Manager include the cost of salaries and related benefits, rent, equipment and other administrative costs required for day-to-day operations.

Pursuant to the support services agreement with MSCC, the Investment Manager is reimbursed each quarter by MSCC for its cash operating expenses, less fees that the Investment Manager receives from MSC II and third parties, associated with providing investment management and other services to MSCC, its subsidiaries and third parties. 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 statements of operations along with any additional net costs reimbursed by MSCC to the Investment Manager pursuant to the support services agreement. For the years ended December 31, 2012, 2011, and 2010, the expenses reimbursed by MSCC and management fees paid by MSC II to the Investment Manager totaled $10.7 million, $8.9 million, and $5.3 million, respectively.

In its separate stand-alone financial statements as summarized below, as part of the Formation Transactions, the Investment Manager recognized an $18 million intangible asset related to the investment advisory agreement with MSC II consistent with Staff Accounting Bulletin No. 54, Application of "Pushdown" Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase ("SAB 54"). Under SAB 54, push-down accounting is required in "purchase transactions that result in an entity becoming substantially wholly owned." In this case, MSCC acquired 100% of the equity interests in the Investment Manager in the Formation Transactions. Because the $18 million value attributed to MSCC's investment in the Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the $18 million valuation of the Investment Manager in connection with the Formation Transactions was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. The Investment Manager recognized amortization expense associated with the intangible asset of $1.3 million, $1.2 million and $1.1 million for the three years ended December 31, 2012, 2011, and 2010, respectively. 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 and non-operating in nature.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE D WHOLLY OWNED INVESTMENT MANAGER (Continued)

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

	As of December 31, 2012	As of December 31, 2011
	(in thousands) (Unaudited)	
Cash	$ 741	$ 99
Accounts receivable	69	28
Accounts receivable MSCC	4,066	4,831
Intangible asset (net of accumulated amortization of $5,681 and $4,392 as of December 31, 2012 and December 31, 2011, respectively)	12,319	13,608
Deposits and other	462	145
Total assets	$ 17,657	$ 18,711
Accounts payable and accrued liabilities	$ 5,483	$ 5,248
Equity	12,174	13,463
Total liabilities and equity	$ 17,657	$ 18,711

	Twelve Months Ended December 31, 2012	2011	2010
		(in thousands) (Unaudited)	
Management fee income from Main Street Capital II	$ 2,584	$ 2,455	$ 3,054
Other management advisory fees	283	527	370
Total income	2,867	2,982	3,424
Salaries, benefits and other personnel costs	(9,230)	(8,270)	(4,543)
Occupancy expense	(340)	(328)	(309)
Professional expenses	(129)	(77)	(102)
Amortization expense intangible asset	(1,289)	(1,183)	(1,085)
Other expenses	(1,253)	(767)	(679)
Expense reimbursement from MSCC	8,085	6,460	2,209
Total net expenses	(4,156)	(4,165)	(4,509)
Net Loss	$ (1,289)	$ (1,183)	$ (1,085)

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE E DEFERRED FINANCING COSTS

Deferred financing costs balances as of December 31, 2012 and 2011 are as follows:

	As of December 31,	
	2012	2011
SBIC debenture commitment fees	$ 1,410	$ 1,340
SBIC debenture leverage fees	3,453	3,065
Credit Facility Fees	3,502	1,930
Subtotal	8,365	6,335
Accumulated amortization	(3,203)	(2,167)
Net deferred financing costs balance	$ 5,162	$ 4,168

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2012 and thereafter is as follows:

Years Ended December 31,	Estimated Amortization
2013	$ 979
2014	$ 897
2015	$ 845
2016	$ 807
2017	$ 659
2018 and thereafter	$ 975

NOTE F SBIC DEBENTURES

SBIC debentures payable at December 31, 2012 and 2011 were $225 million and $220 million, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted average annual interest rate on the SBIC debentures as of December 31, 2012 and 2011 was 4.7% and 5.1%, respectively. The first principal maturity due under the existing SBIC debentures is in 2014, and the remaining weighted average duration as of December 31, 2012 is approximately 6.4 years. Main Street recognized interest expense attributable to the SBIC debentures of $11.4 million, $11.1 million and $8.5 million, respectively, in the three years ended December 31, 2012, 2011 and 2010. 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 December 31, 2012, the recorded value of the SBIC debentures was $211.5 million which consisted of (i) $86.5 million recorded at fair value, or $13.5 million less than the $100 million face value of the SBIC debentures held in MSC II, and (ii) $125 million reported at face value and held in MSMF. As of December 31, 2012, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE F SBIC DEBENTURES (Continued)

approximately $194.8 million, or $30.2 million less than the $225 million face value of the SBIC debentures.

Maturity Date	Fixed Interest Rate	December 31, 2012	December 31, 2011
9/1/2013	5.762%	$	$ 4,000,000
3/1/2014	5.007%		3,000,000
9/1/2014	5.571%		9,000,000
9/1/2014	5.539%	6,000,000	6,000,000
3/1/2015	5.925%	2,000,000	2,000,000
3/1/2015	5.893%	2,000,000	2,000,000
9/1/2015	5.796%	19,100,000	19,100,000
3/1/2017	6.231%	3,900,000	3,900,000
3/1/2017	6.263%	1,000,000	1,000,000
3/1/2017	6.317%	5,000,000	5,000,000
3/1/2020	4.514%	10,000,000	10,000,000
9/1/2016	6.476%	5,000,000	5,000,000
3/1/2017	6.317%	7,100,000	7,100,000
9/1/2017	6.434%	19,800,000	19,800,000
9/1/2017	6.469%	7,900,000	7,900,000
3/1/2018	6.377%	10,200,000	10,200,000
9/1/2019	4.950%	20,000,000	20,000,000
9/1/2020	3.932%	10,000,000	10,000,000
9/1/2020	3.500%	35,000,000	35,000,000
3/1/2021	4.369%	10,000,000	10,000,000
3/1/2021	4.599%	20,000,000	20,000,000
9/1/2021	3.392%	10,000,000	10,000,000
9/1/2022	2.530%	5,000,000	
3/1/2023(1)	1.446%	16,000,000	
Ending Balance		$ 225,000,000	$ 220,000,000

(1) The interest rate for this tranche of SBIC debentures represents an initial rate that has not been fixed by the SBA as of December 31, 2012. In March 2013, the rate for this tranche of SBIC debentures will be determined and, thereafter, the rate will be fixed for the ensuing 10 years.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE G CREDIT FACILITY

Main Street maintains the Credit Facility to provide additional liquidity in support of future investment and operational activities and since December 31, 2010 has amended the Credit Facility several times. In November 2011, Main Street amended the Credit Facility to increase the total commitments available from $155 million to $210 million. The $55 million increase in total commitments included commitment increases by lenders currently participating in the Credit Facility, as well as the addition of one new lender relationship which diversified the Main Street lending group to a total of seven participants. In December 2011, Main Street further expanded the Credit Facility from $210 million to $235 million. The $25 million increase in total commitments included the addition of one new lender relationship which further diversified the lending group to a total of eight participants. These increases in total commitments were executed under the accordion feature of the Credit Facility which at the time allowed Main Street to increase the total commitments under the facility up to $300 million of total commitments from new or existing lenders on the same terms and conditions as the existing commitments. In May 2012, Main Street amended its Credit Facility to expand the commitments from $235.0 million to $277.5 million. The $42.5 million increase in total commitments included commitment increases by three lenders currently participating in the Credit Facility under the accordion feature of the Credit Facility. In July 2012, Main Street further expanded its commitments under the Credit Facility from $277.5 million to $287.5 million. The $10.0 million increase in total commitments was the result of the addition of one new lender relationship which further diversified the Main Street lending group to a total of nine participants. The amended Credit Facility contained an upsized accordion feature that at the time allowed for a further increase in total commitments under the facility up to $350 million of total commitments from new and existing lenders on the same terms and conditions as the existing commitments. The Credit Facility was scheduled to mature in September 2014, but in November 2012, Main Street further amended the Credit Facility to extend the final maturity to five years, through September 2017. The amended Credit Facility contains an upsized accordion feature which allows Main Street to increase the total commitments under the facility up to $400 million from new or existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate (0.21% as of December 31, 2012) plus 2.50% or (ii) the applicable base rate (Prime Rate, 3.25% as of December 31, 2012) plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. The Credit Facility includes an initial revolving period through September 2015 followed by a two-year term out period with a final maturity in September 2017, and contains two, one-year extension options which could extend both the revolving period and the final maturity by up to two years, subject to certain conditions including lender approval.

At December 31, 2012, Main Street had $132 million in borrowings outstanding under the Credit Facility. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of $4.2 million, $2.5 million and $0.7 million, respectively, for the years ended December 31, 2012, 2011 and 2010. As of December 31, 2012, the interest rate on the Credit Facility was 2.71%, and Main Street was in compliance with all financial covenants of the Credit Facility.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE H FINANCIAL HIGHLIGHTS

	Years Ended December 31,				
Per Share Data:	**2012**	**2011**	**2010**	**2009**	**2008**
Net asset value at the beginning of the period	$ 15.19	$ 13.06	$ 11.96	$ 12.20	$ 12.85
Net investment income(1)(3)	2.01	1.69	1.16	0.92	1.13
Net realized gain (loss) from investments(1)(2)(3)	0.55	0.11	(0.17)	(0.78)	0.16
Net change in unrealized appreciation(1)(2)(3)	1.34	1.23	1.14	0.82	(0.44)
Income tax provision(1)(2)(3)	(0.37)	(0.27)	(0.05)	0.23	0.35
Bargain purchase gain(1)			0.30		
Net increase in net assets resulting from operations(1)	3.53	2.76	2.38	1.19	1.20
Dividends paid to stockholders from net investment income	(1.17)	(1.46)	(1.39)	(1.32)	(0.63)
Dividends paid to stockholders from realized gains/losses	(0.54)	(0.10)	(0.11)	(0.18)	(0.80)
Impact of the net change in monthly dividends declared prior to the end of the period	(0.02)	(0.14)		0.13	(0.13)
Accretive effect of public stock offerings (issuing shares above NAV per share)	1.33	0.74	0.49		
Accretive effect of Exchange Offer			0.22		
Adjustment to investment in Investment Manager in connection with Exchange Offer Transactions			(0.73)		
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.07	0.05	0.08		
Other(4)	0.20	0.28	0.16	(0.06)	(0.29)
Net asset value at the end of the period	$ 18.59	$ 15.19	$ 13.06	$ 11.96	$ 12.20
Market value at the end of the period	$ 30.51	$ 21.24	$ 18.19	$ 16.12	$ 9.77
Shares Outstanding at the end of the period	34,589,484	26,714,384	18,797,444	10,842,447	9,206,483

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

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

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

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE H FINANCIAL HIGHLIGHTS (Continued)

	Twelve Months Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except percentages)				
Net asset value at end of period	$ 642,976	$ 405,711	$ 245,535	$ 129,660	$ 112,356
Average net asset value	$ 512,156	$ 327,386	$ 195,785	$ 120,540	$ 114,977
Average outstanding debt	$ 332,154	$ 277,692	$ 158,563	$ 57,000	$ 55,000
Ratio of total expenses, including income tax expense, to average net asset value(1)(2)	8.18%	9.82%	8.81%	5.63%	6.07%
Ratio of operating expenses to average net asset value(1)	6.07%	7.96%	8.34%	5.63%	6.07%
Ratio of operating expenses, excluding interest expense, to average net asset value(1)	3.03%	4.01%	3.98%	2.48%	2.79%
Ratio of net investment income to average net asset value(1)	11.57%	11.76%	9.65%	7.65%	8.97%
Portfolio turnover ratio	56.22%	30.82%	26.71%	18.48%	19.34%
Total investment return(4)	53.60%	26.95%	23.97%	86.23%	(22.23)%
Total return based on change in net asset value(3)	25.73%	25.64%	26.11%	10.64%	9.84%

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

(2) Total expenses are the sum of operating expenses and income tax expense. Income tax expense primarily relates to the accrual of deferred taxes on the net unrealized appreciation from portfolio investments held in Taxable Subsidiaries, which is non-cash in nature and may vary significantly from period to period. Main Street is required to include deferred taxes in calculating its total expenses even though these deferred taxes are not currently payable.

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

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

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME

During November 2012, we declared a special dividend of $0.35 per share for January 2013 and regular monthly dividends of $0.15 per share for each of January, February and March 2013. These regular monthly dividends equal a total of $0.45 per share for the first quarter of 2013. The first quarter 2013 regular monthly dividends represent an 11.1% increase from the dividends declared for the first quarter of 2012. During 2012, Main Street paid monthly dividends of (i) $0.135 per share for each month of January 2012 through March 2012, (ii) $0.140 per share for each month of April 2012 through June 2012, (iii) $0.145 per share for each month of July 2012 through September 2012, and (iv) $0.15 per share for each month of October 2012 thru December 2012, totaling $49.6 million, or $1.71 per share. For tax purposes, the 2012 dividends, which included the effects of accrued dividends, were comprised of (i) ordinary income totaling approximately $0.92 per share, (ii) long term capital gain totaling approximately $0.75 per share, and (iii) qualified dividend income totaling approximately $0.05 per share. As of December 31 2012, Main Street estimates that it has generated undistributed taxable income of approximately $44.4 million, or $1.28 per share, that will be carried forward toward

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

distributions to be paid in 2013. For the year ended December 31, 2011, Main Street paid total monthly dividends of approximately $34.9 million, or $1.56 per share. For the year ended December 31, 2010, Main Street paid total monthly dividends of approximately $23.9 million, or $1.50 per share.

Ordinary dividend distributions from a RIC do not qualify for the reduced maximum tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividends or return of capital. The tax character of distributions paid for the years ended December 31, 2012, 2011 and 2010 was as follows:

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Ordinary income	$ 28,440	$ 29,354	$ 19,465
Qualified dividends	1,663	1,445	219
Distributions of long term capital gains	21,073	7,750	4,216
Distributions on tax basis	$ 51,176	$ 38,549	$ 23,900

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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

Listed below is a reconciliation of "Net increase in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2012, 2011 and 2010.

	Years Ended December 31,		
	2012	2011	2010
	(estimated, amounts in thousands)		
Net increase in net assets resulting from operations	$ 104,444	$ 64,106	$ 39,970
Share-based compensation expense	2,565	2,047	1,489
Net realized income allocated to noncontrolling interest	(65)	(857)	(250)
Net change in unrealized appreciation on investments	(39,460)	(28,478)	(19,639)
Bargain Purchase Gain			(4,891)
Income tax provision	10,820	6,288	941
Pre-tax book (income) loss not consolidated for tax purposes	(2,187)	(223)	6,036
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	11,540	3,014	(101)
Estimated taxable income(1)	87,657	45,897	23,555
Taxable income earned in prior year and carried forward for distribution in current year	7,934	586	931
Ordinary taxable income earned in current period and carried forward for distribution	(49,603)	(11,540)	(586)
Dividend accrued as of period end and paid in the following period	5,188	3,606	
Total distributions accrued or paid to common stockholders	$ 51,176	$ 38,549	$ 23,900

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

The Taxable Subsidiaries hold certain portfolio investments for Main Street. The Taxable Subsidiaries are consolidated with Main Street for financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in Main Street's consolidated financial statements. The principal purpose of the Taxable Subsidiaries is to permit Main Street to hold equity investments in portfolio companies which are "pass through" entities for tax purposes in order to 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 portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street's Consolidated Statement of Operations.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

Main Street's provision for income taxes, including the Taxable Subsidiaries, was comprised of the following:

	Years Ended December 31,		
	2012	**2011**	**2010**
Current tax expense (benefit):			
Federal	$ 168	$	$
State	1,059	253	200
Total current tax expense (benefit)	1,227	253	200
Deferred tax expense (benefit):			
Federal	7,828	5,435	428
State	174	300	247
Total deferred tax expense (benefit)	8,002	5,735	675
Excise tax	1,591	300	66
Total income tax provision (benefit)	$ 10,820	$ 6,288	$ 941

As of December 31, 2012, the cost of investments for federal income tax purposes was $870.2 million, with such investments having a gross unrealized appreciation of $121.9 million and gross unrealized depreciation of $20.4 million.

The net deferred tax liability at December 31, 2012 was $11.8 million and primarily related to (i) $18.9 million of deferred tax liability associated with timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries and (ii) $0.2 million of deferred tax liability associated with timing differences from recognition of realized gains on portfolio investments held by the Taxable Subsidiaries, partially offset by (i) $4.8 million of deferred tax assets associated with net loss carryforwards primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and (ii) $2.6 million of deferred tax assets associated with basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes. The net deferred tax liability at December 31, 2011 was $3.8 million and primarily related to (i) $11.5 million of deferred tax liability associated with timing differences from net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries and (ii) $0.2 million of deferred tax liability associated with timing differences from recognition of realized gains on portfolio investments held by the Taxable Subsidiaries, partially offset by (i) $6.7 million of deferred tax assets associated with net loss carryforwards primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries and (ii) $1.2 million of deferred tax assets associated with basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass through" entities for tax purposes. Management believes that the realization of the deferred tax assets 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

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

assets at December 31, 2012 and 2011. The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2012 and 2011:

	Years Ended December 31,	
	2012	**2011**
Deferred tax assets:		
Net operating loss carryforwards	4,769	6,687
Basis differences in portfolio investments	2,571	1,227
Total deferred tax assets	7,340	7,914
Deferred tax liabilities:		
Net unrealized appreciation of portfolio investments	(18,877)	(11,491)
Other	(241)	(199)
Total deferred tax liabilities	(19,118)	(11,690)
Total net deferred tax assets (liabilities)	(11,778)	(3,776)

For federal income tax purposes, the net loss carryforwards expire in various years from 2029 through 2032. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

NOTE J COMMON STOCK

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

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

In October 2011, Main Street completed a public stock offering of 3,450,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of $17.50 per share, resulting in total gross proceeds of approximately $60.4 million, less (i) underwriters' commissions of approximately $2.7 million and (ii) offering costs of approximately $0.2 million.

In March 2011, Main Street completed a public stock offering of 4,025,000 shares of common stock, including the underwriters' full exercise of the over-allotment option, at a price to the public of $18.35 per share, resulting in total gross proceeds of approximately $73.9 million, less (i) underwriters' commissions of approximately $3.3 million and (ii) offering costs of approximately $0.2 million.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE K DIVIDEND REINVESTMENT PLAN ("DRIP")

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

For the year ended December 31, 2012, $10.4 million of the total $49.6 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 349,960 newly issued shares and with the purchase of 63,416 shares of common stock in the open market. For the year ended December 31, 2011, $10.5 million of the total $34.9 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 348,695 newly issued shares and with the purchase of 217,407 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. For the year ended December 31, 2010, $8.2 million of the total $23.9 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the issuance of 478,731 newly issued shares and with the purchase of 35,572 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.

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares vest over a four-year period from the grant date and the fair value is expensed over the four-year service period starting on the grant date. The following table summarizes the restricted stock issuances

MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE L SHARE-BASED COMPENSATION (Continued)

approved by Main Street's Board of Directors and the remaining shares of restricted stock available for issuance as of December 31, 2012:

Restricted stock authorized under the plan	2,000,000
Less restricted stock granted on:	
July 1, 2008	(245,645)
July 1, 2009	(98,993)
July 1, 2010	(149,357)
June 20, 2011	(117,728)
June 20, 2012	(133,973)
November 6, 2012	(7,476)
December 3, 2012	(5,000)
Restricted stock available for issuance as of December 31, 2012	1,241,828

The following table summarizes the restricted stock issued to Main Street's independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over a one-year service period starting on the grant date:

Restricted stock authorized under the plan	200,000
Less restricted stock granted on:	
July 1, 2008	(20,000)
July 1, 2009	(8,512)
July 1, 2010	(7,920)
June 20, 2011	(6,584)
August 3, 2011	(1,658)
June 20, 2012	(5,060)
Restricted stock available for issuance as of December 31, 2012	150,266

For the years ended December 31, 2012, 2011, and 2010, Main Street recognized total share-based compensation expense of $2.6 million, $2.0 million, and $1.5 million, respectively, related to the restricted stock issued to Main Street employees and independent directors.

As of December 31, 2012, there was $5.3 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 2.9 years as of December 31, 2012.

NOTE M COMMITMENTS AND CONTINGENCIES

At December 31, 2012, Main Street had a total of $72.4 million in outstanding commitments comprised of (i) seven commitments to fund revolving loans that had not been fully drawn and (ii) five capital commitments that had not been fully called.

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE M COMMITMENTS AND CONTINGENCIES (Continued)

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

NOTE N SUPPLEMENTAL CASH FLOW DISCLOSURES

Listed below are the supplemental cash flow disclosures for the years ended December 31, 2012, 2011 and 2010:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Interest paid	$ 15,017	$ 12,067	$ 7,806
Taxes paid	$ 798	$ 194	$ 75
Non-cash financing activities:			
Shares issued in connection with the MSC II Exchange Offer	$	$	$ 20,093
Shares issued pursuant to the DRIP	$ 8,922	$ 6,611	$ 7,637

NOTE O SELECTED QUARTERLY DATA (UNAUDITED)

	2012			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	$ 20,559	$ 20,842	$ 22,954	$ 26,165
Net investment income	$ 12,849	$ 12,826	$ 15,522	$ 18,128
Net increase in net assets resulting from operations attributable to common stock	$ 23,784	$ 24,153	$ 31,967	$ 24,486
Net investment income per share basic and diluted	$ 0.48	$ 0.47	$ 0.49	$ 0.56
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	$ 0.89	$ 0.88	$ 1.01	$ 0.76

	2011			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	$ 13,375	$ 16,107	$ 17,086	$ 19,672
Net investment income	$ 7,392	$ 9,594	$ 10,361	$ 11,930
Net increase in net assets resulting from operations attributable to common stock	$ 10,323	$ 17,626	$ 14,436	$ 20,582
Net investment income per share basic and diluted	$ 0.38	$ 0.41	$ 0.44	$ 0.45
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	$ 0.54	$ 0.77	$ 0.62	$ 0.79

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MAIN STREET CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE O SELECTED QUARTERLY DATA (UNAUDITED) (Continued)

	2010			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	$ 7,093	$ 8,732	$ 9,006	$ 11,677
Net investment income	$ 3,220	$ 4,742	$ 4,758	$ 6,541
Net increase in net assets resulting from operations attributable to common stock	$ 9,057	$ 8,873	$ 10,943	$ 9,871
Net investment income per share basic and diluted	$ 0.22	$ 0.31	$ 0.28	$ 0.34
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	$ 0.63	$ 0.59	$ 0.65	$ 0.53

NOTE P RELATED PARTY TRANSACTIONS

As discussed further in Note D, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At December 31, 2012 and December 31, 2011, the Investment Manager had a receivable of $4.1 million and $4.8 million respectively due from MSCC related to operating expenses incurred by the Investment Manager required to support Main Street's business.

NOTE Q SUBSEQUENT EVENTS

During January 2013, Main Street invested $40.5 million of capital in Quality Lease and Rental Holdings, LLC, the parent company of Quality Lease Service, LLC and Quality Lease Rental Service, LLC (together, "Quality"). Main Street's investment consists of $38 million in senior, secured term debt in Quality and a $2.5 million direct equity investment in Quality's parent holding company. Founded in 1989, Quality is headquartered in El Campo, Texas and provides drill site services and equipment rentals to the upstream oil and gas industry. Quality provides high quality, custom built mobile housing units to be used at the well site during drilling and completion operations. Quality also provides a variety of other services at the well site, including pad, pit, and road construction, pipeline and flow line equipment installation, equipment rental and heavy hauling.

During March 2013, Main Street declared regular monthly dividends of $0.155 per share for each of April, May and June 2013. These regular monthly dividends equal a total of $0.465 per share for the second quarter of 2013. The second quarter 2013 regular monthly dividends represent a 10.7% increase from the dividends declared for the second quarter of 2012. Including the dividends declared for the second quarter of 2013, Main Street will have paid $9.29 per share in cumulative dividends since its October 2007 initial public offering.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders' of
Main Street Capital Corporation

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Main Street Capital Corporation (a Maryland corporation) referred to in our report dated March 8, 2013, which is included in the annual report on Form 10-K. Our audits of the basic financial statements include the financial statement schedule 12-14 which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Houston, Texas
March 8, 2013

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Schedule 12-14

MAIN STREET CAPITAL CORPORATION

Schedule of Investments in and Advances to Affiliates
Year ended December 31, 2012

Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2011 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2012 Value
CONTROL INVESTMENTS						
Bond-Coat, Inc.						
	12% Secured Debt	$ 20		14,550		14,550
	Common Stock			6,350		6,350
Café Brazil, LLC						
	12% Secured Debt	119	1,400	1	901	500
	Member Units	121	3,430	260		3,690
California Healthcare Medical Billing, Inc.						
	12% Secured Debt	1,131	8,530	374	888	8,016
	Warrants		3,380			3,380
	Common Stock	18	1,560			1,560
CBT Nuggets, LLC						
	14% Secured Debt	126	1,750		1,300	450
	Member Units	740	5,570	2,230		7,800
Ceres Management, LLC (Lambs)						
	14% Secured Debt	578	3,749	244		3,993
	Class B Member Units			3,000		3,000
	Member Units		1,050	500	1,550	
Condit Exhibits, LLC						
	13% Current/5% PIK Secured Debt	862	4,406	669	423	4,652
	Warrants		560	40		600
Currie Acquisitions, LLC						
	12% Secured Debt	6	4,750		4,750	
	Warrants		100		100	
Gulf Manufacturing, LLC						
	9% PIK Secured Debt	88	1,185		266	919
	Member Units	746	9,840	2,820		12,660
Harrison Hydra-Gen, Ltd.						
	9% Secured Debt	784	5,230	507	713	5,024
	Preferred Stock	137	1,081	86	86	1,081
	Common Stock	64	2,240		690	1,550
Hawthorne Customs & Dispatch Services, LLC						
	Member Units	6	1,410		270	1,140

Hydratec, Inc.						
	Common Stock	1,416	12,337	1,373		13,710
Indianapolis Aviation Partners, LLC						
	15% Secured Debt	678	4,120	329	379	4,070
	Warrants		1,650	480		2,130
Jensen Jewelers of Idaho, LLC						
	Prime plus 2% Secured Debt	121	2,260		564	1,696
	13% Current/6% PIK Secured Debt	364	2,345	121	707	1,759
	Member Units	167	1,750	310		2,060

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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2011 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2012 Value
Lighting Unlimited, LLC						
	8% Secured Debt	176	1,984	16	108	1,892
	Preferred Stock	136	510		17	493
	Warrants			4		4
	Common Stock		210		174	36
Marine Shelters Holdings, LLC						
	12% Secured Debt	244		10,045		10,045
	Preferred Stock			3,750		3,750
Mid-Columbia Lumber Products, LLC						
	10% Secured Debt	145	1,250			1,250
	12% Secured Debt	527	3,670	230		3,900
	Warrants		890	580		1,470
	Member Units		930	650		1,580
NAPCO Precast, LLC						
	Prime plus 2% Secured Debt	560	3,376	9	51	3,334
	18% Secured Debt	733	5,142	29	78	5,093
	Member Units	8	4,195	165		4,360
NRI Clinical Research, LLC						
	14% Secured Debt	803	5,183	87	764	4,506
	Warrants	4	252	228		480
	Member Units	7	500	460		960
NRP Jones, LLC						
	12% Secured Debt	1,635	11,041	850		11,891
	Warrants		817	533		1,350
	Member Units	384	2,900	1,900		4,800
NTS Holdings, Inc.						
	12% Secured Debt	232	5,742	258	6,000	
	Preferred Stock	433	11,918	434	12,352	
	Common Stock		2,140		2,140	
OMi Holdings, Inc.						
	12% Secured Debt	824	7,950	746	2,696	6,000
	Common Stock		2,270	6,470		8,740
Pegasus Research Group, LLC (Televerde)						
	13% Current/5% PIK Secured Debt	1,020	6,089	562	1,660	4,991
	Member Units	200	1,250	2,540		3,790
PPL RVs, Inc.						
	11.1% Secured Debt	914	4,235	4,225		8,460
	Common Stock		3,980	2,140		6,120
Principle Environmental, LLC						
	12% Secured Debt	763	4,080	670		4,750

	12% Current/2% PIK					
	Secured Debt	514	3,507	90	3	3,594
	Warrants		2,110	1,750		3,860
	Member Units	16	3,600	2,687	137	6,150
River Aggregates, LLC						
	12% Secured Debt	503	3,227	435		3,662
	Warrants		100		100	
	Member Units		200		200	
The MPI Group, LLC						
	4.5% Current/4.5% PIK					
	Secured Debt	82	1,041	36		1,077
	6% Current/6% PIK					
	Secured Debt	608	5,294	294		5,588
	Warrants					

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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2011 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2012 Value
Thermal & Mechanical Equipment, LLC						
	Prime plus 2% Secured Debt	115	1,266	7	240	1,033
	13% Current/5% PIK Secured Debt	732	4,053	217	978	3,292
	Member Units	1,031	5,660	2,590		8,250
Uvalco Supply, LLC						
	Member Units	116	3,290		530	2,760
Van Gilder Insurance Corporation						
	8% Secured Debt	221	2,692	16	445	2,263
	13% Secured Debt	955	4,387	932		5,319
	Warrants		1,209		29	1,180
	Common Stock	5	2,500		70	2,430
Vision Interests, Inc.						
	6.5% Current/6.5% PIK Secured Debt	416	2,935	211		3,146
	Series A Preferred Stock		3,000		70	2,930
	Common Stock			110		110
Ziegler's NYPD, LLC						
	Prime plus 2% Secured Debt	94	996	2		998
	13% Current/5% PIK Secured Debt	905	4,270	1,030		5,300
	Warrants		400		220	180
Other						
		384	5,002	60	94	4,968
Income from Control Investments disposed of during the year						
	Total Control	**$ 24,737**	**$ 238,926**	**$ 82,292**	**$ 42,743**	**$ 278,475**

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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2011 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2012 Value
AFFILATE INVESTMENTS						
American Sensor Technologies, Inc.						
	9% Secured Debt	$ 57	$ 3,039	$ 7	$ 3,046	$
	Warrants		3,100	1,070		4,170
Bridge Capital Solutions Corporation						
	13% Secured Debt	545		4,754		4,754
	Warrants			310		310
Compact Power Equipment Centers, LLC						
	6% Current/6% PIK Secured Debt	334	2,831	838	3,669	
	8% PIK Secured Debt		108		108	
	Series A Member Units	52	853	379	1,232	
	Member Units		1		1	
Daseke, Inc.						
	Common Stock	11	4,220	3,090		7,310
Drilling Info, Inc.						
	12% Secured Debt	1,095	8,000	935	8,935	
	8.75% Secured Debt	11	750		750	
	Warrants		10,360		10,360	
	Common Stock		4,890	180	5,070	
East Teak Fine Hardwoods, Inc.						
	Common Stock	138	380			380
Gault Financial, LLC (RMB Capital, LLC)						
	14% Secured Debt	1,573	9,897	123	672	9,348
	Warrants		400		160	240
Houston Plating & Coatings, LLC						
	Member Units	694	5,990	2,290		8,280
Indianhead Pipeline Services, LLC						
	12% Secured Debt	755		9,461	1,275	8,186
	Preferred Equity	56		1,676		1,676
	Warrants			1,490		1,490
	Member Units	92		50		50
Integrated Printing Solutions, LLC						
	13% Secured Debt	1,992	9,228	2,579		11,807
	Preferred Equity			2,000		2,000
	Warrants		600	500		1,100
irth Solutions, LLC						
	12% Secured Debt	550	5,084	34	1,531	3,587

	Member Units	483	2,480	496	226	2,750
KBK Industries, LLC						
	12.5% Secured Debt	557	5,250	9,000	5,250	9,000
	10% Secured Debt	337	15	1,250	1,265	
	Member Units	392	2,800	2,750		5,550
Laurus Healthcare, LP						
	9% Secured Debt	302	5,850		5,850	
	Class A and C Units	406	5,430		5,430	
Olympus Building Services, Inc.						
	12% Secured Debt	400	2,306	850	181	2,975
	12% Current/3% PIK Secured Debt	150	994	120	100	1,014
	Warrants		70	400		470

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Company	Investments(1)	Amount of Interest or Dividends Credited to Income(2)	December 31, 2011 Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2012 Value
OnAsset Intelligence, Inc.						
	12% Secured Debt	767	916	584		1,500
	Preferred Stock	117	1,577	863		2,440
	Warrants		830		280	550
OPI International Ltd.						
	12% Secured Debt	2,568	11,130	3,868	14,998	
	Common Equity	1,399	4,100	871		4,971
PCI Holding Company, Inc.						
	12% Current/4% PIK Secured Debt	82		4,909		4,909
	Preferred Stock	11		1,511		1,511
Radial Drilling Servcies Inc.						
	12% Secured Debt	631	3,367	118		3,485
	Warrants		758			758
Samba Holdings, Inc.						
	12.5% Secured Debt	921	2,941	9,059	77	11,923
	Common Stock		950	2,720		3,670
Schneider Sales Management, LLC						
	13% Secured Debt		250	3,239	3,489	
	Warrants			45	45	
Spectrio LLC						
	8% Secured Debt	21	168	112		280
	12% Secured Debt	1,886	13,341	4,622		17,963
	Warrants		2,720	700		3,420
SYNEO, LLC						
	12% Secured Debt	646	5,374	44	1,200	4,218
	10% Secured Debt	147	1,412	1		1,413
	Member Units		1,000			1,000
Texas Reexcavation LC						
	12% Current/3% PIK Secured Debt	33		5,881		5,881
	Class A Member Units			2,900		2,900
WorldCall, Inc.						
	13% Secured Debt	21	646		646	
	Common Stock			297	297	
Other		343		20,493	1,319	19,174
Income from Affiliate Investments disposed of during the year						
	Total Affiliate Investments	**$ 20,575**	**$ 146,406**	**$ 109,469**	**$ 77,462**	**$ 178,413**

This schedule should be read in conjunction with Main Street's Consolidated and Combined Financial Statements, including the Consolidated and Combined Schedule of Investments and Notes to the Consolidated Financial Statements.

(1) The principal amount, the ownership detail for equity investments and if the investment is income producing is shown in the Consolidated and Combined Schedule of Investments.

(2) Represents the total amount of interest, fees or dividends credited to income for the portion of the year an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the year, any income related to the time period it was in the category other than the one shown at year end is included in "Income from Investments disposed of during the year".

(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investment, follow on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.

(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

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4,000,000 Shares

Main Street Capital Corporation

Common Stock

PROSPECTUS SUPPLEMENT

RAYMOND JAMES
GOLDMAN, SACHS & CO.
BAIRD
RBC CAPITAL MARKETS
SANDERS MORRIS HARRIS
BB&T CAPITAL MARKETS
JANNEY MONTGOMERY SCOTT
LADENBURG THALMANN & CO. INC.
MLV & CO.
WUNDERLICH SECURITIES

August 13, 2013