Main Street Capital CORP
Form 497
April 17, 2019

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 17, 2019

PRELIMINARY PROSPECTUS SUPPLEMENT
(to Prospectus dated April 27, 2018)

$

% Notes due

We are offering $ in aggregate principal amount of % notes due , which we refer to as the Notes. The Notes will mature on , . We will pay interest on the Notes on and of each year, beginning on , . We may redeem the Notes in whole or in part at any time or from time to time, at the redemption price set forth under the caption "Description of the Notes Optional Redemption" in this prospectus supplement. In addition, holders of the Notes can require us to repurchase some or all of the Notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date upon the occurrence of a "Change of Control Repurchase Event" (as defined herein). The Notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The Notes will be our direct unsecured obligations and rank *pari passu* with our existing and future unsecured indebtedness but will rank senior to our future indebtedness that is expressly subordinated in right of payment to the Notes issued by Main Street Capital Corporation. See "Summary of the Offering Ranking of Notes."

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between $10 million and $150 million, and our LMM portfolio investments generally range in size from $5 million to $50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between $150 million and $1.5 billion, and our Middle Market investments generally range in size from $3 million to $20 million.

The LMM and Middle Market securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company.

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

Investing in the Notes involves a high degree of risk and should be considered highly speculative. See "Supplementary Risk Factors" beginning on page S-10 of this prospectus supplement and "Risk Factors" beginning on page 15 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in the Notes.

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our Notes. Please read this prospectus supplement and the accompanying prospectus before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. This information is available free of charge by contacting us at 1300 Post Oak Boulevard, 8th Floor, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at *www.mainstcapital.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at *www.sec.gov* that contains such information.

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

	Per Note	Total
Public offering price	%	$
Underwriting discount (sales load)	%	$
Proceeds to Main Street Capital Corporation (before estimated expenses of $350,000)	%	$

The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from April , 2019 and must be paid by the purchaser if the Notes are delivered after April , 2019.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about April , 2019.

RBC Capital Markets

Goldman Sachs & Co. LLC **Raymond James** **BB&T Capital Markets**

The date of this prospectus supplement is April , 2019.

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Prospectus Supplement

Prospectus

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ABOUT THE PROSPECTUS

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

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

Forward-Looking Statements

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

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand the terms of the Notes offered hereby, you should read the entire prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the Notes we are offering. You should carefully read the sections titled "Supplementary Risk Factors," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Financial Statements" in this prospectus supplement and the documents identified in the section titled "Available Information" in this prospectus supplement, as well as the section titled "Risk Factors" in the accompanying prospectus.

Organization

Main Street Capital Corporation ("MSCC") is a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. The portfolio investments of MSCC and its consolidated subsidiaries are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in a variety of industry sectors. MSCC seeks to partner with entrepreneurs, business owners and management teams and generally provides "one stop" financing alternatives within its LMM portfolio. MSCC and its consolidated subsidiaries invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

MSCC was formed in March 2007 to operate as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSCC wholly owns several investment funds, including Main Street Mezzanine Fund, LP ("MSMF"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). Because MSCC is internally managed, all of the executive officers and other employees are employed by MSCC. Therefore, MSCC does not pay any external investment advisory fees, but instead directly incurs the operating costs associated with employing investment and portfolio management professionals.

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and receives fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission ("SEC") to allow the External Investment Manager to register as a registered investment adviser under the Investment Advisers Act of 1940, as amended. Since the External Investment Manager conducts all of its investment management activities for External Parties, it is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements.

MSCC has elected to be treated for U.S. 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 U.S. federal income taxes on any net ordinary taxable income or capital gains that it distributes to its stockholders.

MSCC has certain direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of the Taxable Subsidiaries is to permit

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MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes.

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our," the "Company" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries.

Overview

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between $10 million and $150 million, and our LMM portfolio investments generally range in size from $5 million to $50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between $150 million and $1.5 billion, and our Middle Market investments generally range in size from $3 million to $20 million. Our private loan ("Private Loan") portfolio investments are primarily debt securities in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

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

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

Our Private Loan portfolio investments are primarily debt securities in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

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Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation" in the accompanying prospectus). An investor's return in MSCC will depend, in part, on the Funds' investment returns as they are wholly owned subsidiaries of MSCC.

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

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income. Because the External Investment Manager may receive performance-based fee compensation from HMS Income, this may provide it an incentive to

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allocate opportunities to HMS Income instead of us. However, both we and the External Investment Manager have policies and procedures in place to manage this conflict.

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

Our principal executive offices are located at 1300 Post Oak Boulevard, 8th Floor, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at *http://www.mainstcapital.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

Business Strategies

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We have adopted the following business strategies to achieve our investment objective. Please see "Business Business Strategies" in the accompanying prospectus for a more complete discussion of our business strategies.

Deliver Customized Financing Solutions in the Lower Middle Market. We offer LMM portfolio companies customized debt and equity financing solutions that are tailored to the facts and circumstances of each situation.

Focus on Established Companies. We generally invest in companies with established market positions, experienced management teams and proven revenue streams.

Leverage the Skills and Experience of Our Investment Team. Our investment team has significant experience in lending to and investing in LMM and Middle Market companies.

Invest Across Multiple Companies, Industries, Regions and End Markets. We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets.

Capitalize on Strong Transaction Sourcing Network. Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments.

Benefit from Lower, Fixed, Long-Term Cost of Capital. The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt.

Investment Criteria

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments. Please see "Business Investment Criteria" in the accompanying prospectus for a more complete discussion of our investment criteria.

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Proven Management Team with Meaningful Equity Stake. We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests.

Established Companies with Positive Cash Flow. We seek to invest in established companies with sound historical financial performance.

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

Exit Alternatives. We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or a refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

Recent Developments

In January 2019, we led a new portfolio investment to facilitate the minority recapitalization of Centre Technologies, Inc. ("Centre"), a premier provider of IT hardware, software and service solutions. We, along with our co-investors, partnered with Centre's founder and Chief Executive Officer and management team to facilitate the transaction, with us funding $18.1 million in a combination of first-lien, senior secured term debt and a direct equity investment. Headquartered in Houston, Texas, and founded in 2006, Centre has established itself as a mission critical IT solutions provider offering a full suite of solutions including managed and hosted services, value-added sourcing and integration, and project services.

In January 2019, we led a new portfolio investment to facilitate the management buyout of CompareNetworks Inc. ("CompareNetworks"), a leading provider of media, marketing and technology solutions that drive revenue for life science and healthcare product manufacturers. We, along with our co-investors, partnered with CompareNetworks' founders and management team to facilitate the transaction, with us funding $10.7 million in a combination of first-lien, senior secured term debt and a direct equity investment. Headquartered in South San Francisco, California, and founded in 2000, CompareNetworks provides life scientists, researchers, lab-based professionals, pharmaceutical professionals and healthcare professionals with digital tools and information resources to research, identify and determine which products and technologies to use.

In January 2019, we fully exited our equity investment in Boss Industries, LLC ("Boss"). Boss markets, designs and manufacturers vehicle-mounted, and portable air compressor and generator systems utilized in municipal and utility services, energy product and industrial services. We realized a gain of approximately $4.0 million on the exit of our equity investment in Boss.

During February 2019, we declared regular monthly dividends of $0.200 per share for each month of April, May and June 2019. These regular monthly dividends equal a total of $0.600 per share for the second quarter of 2019 and represent a 5.3% increase from the dividends declared for the second quarter of 2018. Including the dividends declared for the second quarter of 2019, we will have paid $25.420 per share in cumulative dividends since our October 2007 initial public offering.

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SUMMARY OF THE OFFERING

This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. You should read this section of the prospectus supplement together with the more general description of the Notes under the heading "Description of the Notes" in this prospectus supplement and in the accompanying prospectus under the heading "Description of Our Debt Securities" before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer	Main Street Capital Corporation
Title of the securities	% Notes due
Aggregate principal amount being offered	$
Initial public offering price	% of the aggregate principal amount
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Trustee, Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in New York City as we may designate.
Interest rate	% per year
Yield to maturity	%
Trade date	April , 2019
Maturity date	,
Day count basis	360-day year of twelve 30-day months
Date interest starts accruing	April , 2019
Interest payment dates	Every and , commencing , . If an interest payment date is a non-business day, the applicable interest payment will be made on the next business day, and no additional interest will accrue as a result of such delayed payment.
Ranking of Notes	The Notes will be our direct unsecured obligations and will rank:
	pari passu with our existing and future general unsecured and senior unsecured indebtedness, including (i) our 4.50% Notes due 2019 (the "4.50% Notes due 2019") of which approximately $175.0 million was outstanding as of April 12, 2019 and (ii) our 4.50% Notes due 2022 (the "4.50% Notes due 2022") of which approximately $185.0 million was outstanding as of April 12, 2019;
	senior to any of our future indebtedness that expressly states it is subordinated to the Notes;

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	effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured, but to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our credit facility, or the Credit Facility; and
	structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, financing vehicles or similar facilities, including without limitation, the Funds' SBIC debentures.
Denominations	We will issue the Notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Optional redemption	We may redeem in whole or in part at any time, or from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on the Notes to be redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) using the applicable Treasury Rate (as defined in "Description of the Notes") plus basis points, plus, in each case, accrued and unpaid interest to, but excluding, the redemption date.
Sinking fund	The Notes will not be subject to any sinking fund.
Offer to Repurchase Upon a Change of Control Repurchase Event	If a Change of Control Repurchase Event (as defined in "Description of the Notes") occurs prior to maturity, holders will have the right, at their option, to require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.
Defeasance	The Notes are subject to legal and covenant defeasance by us.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company, or DTC, or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon Trust Company, N.A.

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Events of default	If an event of default (as described herein under "Description of the Notes") on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest, may be declared immediately due and payable, subject to conditions set forth in the indenture.
Other covenants	In addition to any covenants described elsewhere in this prospectus supplement or the accompanying prospectus, the following covenants shall apply to the Notes: We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements are met) after such borrowings. See "Risk Factors Risks Relating to Our Business and Structure Recent legislation may allow us to incur additional leverage" in the accompanying prospectus. If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles, or U.S. GAAP.
Further issuances	We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without the consent of the holders thereof, to reopen the Notes and issue additional Notes.
No Established Trading Market	The Notes are a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange or quoted on any automated dealer quotation system. Although certain of the underwriters have informed us that they intend to make a market in the Notes, they are not obligated to do so, and may discontinue any such market at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

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Use of proceeds	We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Credit Facility. However, through re-borrowing of the initial repayments under our Credit Facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. On April 12, 2019, we had approximately $293.0 million outstanding under our Credit Facility. Our Credit Facility matures in September 2023, unless extended, and bears interest, at our election, on a per annum basis equal to the applicable LIBOR rate plus (A) 1.875% (or the applicable base rate plus 0.875%) so long as we meet certain agreed upon excess collateral and maximum leverage requirements or (B) 2.0% (or the applicable base rate plus 1.0%) if we do not meet certain agreed upon excess collateral and maximum leverage requirements. Amounts repaid under our Credit Facility will remain available for future borrowings. See "Use of Proceeds" below.

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SUPPLEMENTARY RISK FACTORS

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

Risks Relating to Economic Conditions

Global capital markets could enter a period of severe disruption and instability. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the United States, which could have a materially negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have, from time to time, experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, continuing uncertainty arising from the United Kingdom's decision to leave the European Union (the so called "Brexit") could lead to further market disruptions and currency volatility, potentially weakening consumer, corporate and financial confidence and resulting in lower economic growth for companies that rely significantly on Europe for their business activities and revenues. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, Brexit or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Business and Structure

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

We depend on the members of our investment team, particularly Dwayne L. Hyzak, David L. Magdol, Vincent D. Foster, Curtis L. Hartman, K. Colton Braud, III, Nicholas T. Meserve, Samuel A. Cashiola and Watt R. Matthews, for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Although we have entered into a non-compete agreement with Mr. Foster and non-compete arrangements with all of our executive officers and other key employees in connection with their restricted stock grants, we have no guarantee that he or any other employees will remain employed with us. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

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We, through the External Investment Manager, derive revenues from managing third party funds pursuant to management agreements that may be terminated pursuant to the terms of such agreements or requirements under the 1940 Act.

The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed, including HMS Income. The terms of fund investment management agreements generally give the manager of the fund and the fund itself the right to terminate the management agreement in certain circumstances. With respect to funds that are not exempt from regulation under the 1940 Act, the fund's investment management agreement must be approved annually by (a) such fund's board of directors or by the vote of a majority of such fund's stockholders and (b) the majority of the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. The funds' investment management agreements can also be terminated by the majority of such fund's stockholders. Termination of any such management agreements would reduce the fees we earn from the relevant funds through the External Investment Manager, which could have a material adverse effect on our results of operations. Currently, HMS Income, an investment company that has elected to be regulated as a business development company under the 1940 Act, is subject to these provisions of the 1940 Act.

Risks Relating to the Notes

The Notes will be unsecured and therefore will be effectively subordinated to any current or future secured indebtedness, including indebtedness under the Credit Facility.

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries and will rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of April 12, 2019, we had $293.0 million outstanding under the Credit Facility out of $705.0 million in commitments. The indebtedness under the Credit Facility is senior to the Notes to the extent of the value of the assets securing such indebtedness.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of Main Street Capital Corporation and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes, and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. In addition, several of our subsidiaries, specifically the Funds, maintain significant indebtedness and as a result the Notes are structurally subordinated to the indebtedness of these subsidiaries. For example, as of April 12, 2019, the Funds had collectively issued $321.8 million of the current regulatory maximum of $350.0 million of SBA-guaranteed debentures, which are included in our consolidated financial statements. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in this prospectus supplement for more detail on the SBA-guaranteed debentures.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of other creditors of our subsidiaries will have priority over our equity interests in such subsidiaries (and

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therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness, including the SBA-guaranteed debentures, and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

There is no active trading market for the Notes. If an active trading market does not develop for the Notes you may not be able to sell them.

The Notes are a new issue of debt securities for which there currently is no trading market. We do not intend to list the Notes on any securities exchange or for quotation of the Notes on any automated dealer quotation system. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, our financial condition or other relevant factors. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes, if any, or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. The Notes will be rated by Standard & Poor's Ratings Services, or S&P. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

The indenture under which the Notes will be issued contains limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect, in each case, to any exemptive relief granted to us by the SEC (currently, this provision generally prohibits us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements are met) after such borrowings);

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

The optional redemption provision may materially adversely affect your return on the Notes.

The Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.

We may not be able to repurchase the Notes upon a Change of Control Repurchase Event because we may not have sufficient funds. Upon a Change of Control Repurchase Event, holders of the Notes may require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the aggregate principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. The terms of our Credit Facility provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility. Our and our subsidiaries' future financing facilities may contain similar restrictions and provisions. Our failure to purchase such tendered Notes upon the occurrence of such Change of Control Repurchase Event would cause an event of default under the indenture governing the Notes and a cross-default under the agreements governing certain of our other indebtedness, which may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If a Change of Control Repurchase Event were to occur, we may not have sufficient funds to repay any such accelerated indebtedness. See "Description of the Notes Offer to Repurchase Upon a Change of Control Repurchase Event" in this prospectus supplement for more information.

Our amount of debt outstanding will increase as a result of this offering, and if we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

As of April 12, 2019, we had approximately $974.8 million of principal indebtedness, including $293.0 million outstanding under the Credit Facility, $321.8 million outstanding from SBA-guaranteed debentures, $175.0 million of the 4.50% Notes due 2019 and $185.0 million of the 4.50% Notes due 2022 outstanding. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, under the 4.50% Notes due 2019, under the 4.50% Notes due 2022 or under other indebtedness to which we may be a party that is not waived by the required lenders or debt holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs.

If our operating performance declines and we are not able to generate sufficient cash flow to service our debt obligations, we may in the future need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the required lenders under the Credit Facility or the required holders of our 4.50% Notes due 2019, our 4.50% Notes due 2022 or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt. If we breach our covenants under the Credit Facility, the 4.50% Notes due 2019, the 4.50% Notes due 2022 or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or debt holders. If this occurs, we would be in default under the Credit Facility, the 4.50% Notes due 2019, the 4.50% Notes due 2022 or other debt, the lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having

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secured obligations could proceed against the collateral securing the debt. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the 4.50% Notes due 2019, the 4.50% Notes due 2022, the Credit Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the $ million aggregate principal amount of the Notes in this offering will be approximately $ million, based on a public offering price of % of par, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to initially use the net proceeds from this offering to repay outstanding debt borrowed under our Credit Facility. However, through re-borrowing of the initial repayments under our Credit Facility, we intend to use the net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, to make investments in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest bearing deposits or other short-term instruments. See "Risk Factors Risks Relating to Our Securities We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results" in the accompanying prospectus.

On April 12, 2019, we had approximately $293.0 million outstanding under our Credit Facility. Our Credit Facility matures in September 2023, unless extended, and bears interest, at our election, on a per annum basis equal to (A)(i) the applicable LIBOR rate plus (A) 1.875% (or the applicable base rate plus 0.875%) so long as we meet certain agreed upon excess collateral and maximum leverage requirements or (B) 2.0% (or the applicable base rate plus 1.0%) if we do not meet certain agreed upon excess collateral and maximum leverage requirements. Amounts repaid under our Credit Facility will remain available for future borrowings.

Affiliates of RBC Capital Markets, LLC, Goldman Sachs & Co. LLC, Raymond James & Associates, Inc. and BB&T Capital Markets, a division of BB&T Securities, LLC, underwriters in this offering, act as lenders and/or agents under our Credit Facility. As described above, we intend to use net proceeds of this offering to repay the outstanding indebtedness under our Credit Facility, and such affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. See "Underwriting (Conflicts of Interest) Conflicts of Interest" below.

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CAPITALIZATION

The following table sets forth our capitalization:

- on an actual basis as of December 31, 2018; and

- on an as-adjusted basis giving effect to the sale of $ million aggregate principal amount of Notes in this offering, less estimated underwriting discounts and offering expenses payable by us, and the application of the proceeds thereof.

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

	As of December 31, 2018			
		Actual		As-adjusted for this Offering
		(Unaudited)		
	(in thousands, except shares)			
Cash and cash equivalents	$	54,181	$	54,181
Debt				
Credit facility(1)	$	301,000	$	
SBIC debentures (par: $345,800)		338,186		338,186
4.50% Notes due 2022 (par: $185,000)		182,622		182,622
4.50% Notes due 2019 (par: $175,000)		174,338		174,338
Notes offered hereby				
Total debt		996,146		
Net Assets				
Common stock, $0.01 par value per share (150,000,000 shares authorized; 61,264,861 shares issued and outstanding)		613		613
Additional paid-in capital		1,409,945		1,409,945
Total distributable earnings		65,491		65,491
Total net assets		1,476,049		1,476,049
Total capitalization	$	2,472,195	$	

(1) As of April 12, 2019, we had approximately $293.0 million outstanding under our Credit Facility. This table has not been adjusted to reflect the changes in our outstanding borrowings under the Credit Facility subsequent to December 31, 2018.

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SELECTED FINANCIAL DATA

The selected financial and other data as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the consolidated financial statements and related notes thereto in the accompanying prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Financial Statements" in this prospectus supplement.

	Twelve Months Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands, except per share amounts)				
Statement of operations data:					
Investment income:					
Total interest, fee and dividend income	$ 233,355	$ 205,741	$ 178,165	$ 163,603	$ 139,939
Interest from idle funds and other			174	986	824
Total investment income	233,355	205,741	178,339	164,589	140,763
Expenses:					
Interest	(43,493)	(36,479)	(33,630)	(32,115)	(23,589)
Compensation	(18,966)	(18,560)	(16,408)	(14,852)	(12,337)
General and administrative	(11,868)	(11,674)	(9,284)	(8,621)	(7,134)
Share-based compensation	(9,151)	(10,027)	(8,304)	(6,262)	(4,215)
Expenses allocated to the External Investment Manager	6,768	6,370	5,089	4,335	2,048
Total expenses	(76,710)	(70,370)	(62,537)	(57,515)	(45,227)
Net investment income	156,645	135,371	115,802	107,074	95,536
Total net realized gain (loss) from investments	1,341	16,182	29,389	(21,316)	23,206
Realized loss on extinguishment of debt	(2,896)	(5,217)			
Total net unrealized appreciation (depreciation) from investments	17,981	42,545	(6,576)	10,871	(776)
Total net unrealized appreciation (depreciation) from SBIC debentures	1,294	6,212	(943)	(879)	(10,931)
Income tax benefit (provision)	(6,152)	(24,471)	1,227	8,687	(6,287)
Net increase in net assets resulting from operations attributable to common stock	$ 168,213	$ 170,622	$ 138,899	$ 104,437	$ 100,748
Net investment income per share basic and diluted	$ 2.60	$ 2.39	$ 2.23	$ 2.18	$ 2.20
Net increase in net assets resulting from operations attributable to common stock per share basic and diluted	$ 2.80	$ 3.01	$ 2.67	$ 2.13	$ 2.31
Weighted-average shares outstanding basic and diluted	60,176,843	56,691,913	52,025,002	49,071,492	43,522,397

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	As of December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands)				
Balance sheet data:					
Assets:					
Total portfolio investments at fair value	$ 2,453,909	$ 2,171,305	$ 1,996,906	$ 1,799,996	$ 1,563,330
Marketable securities and idle funds investments				3,693	9,067
Cash and cash equivalents	54,181	51,528	24,480	20,331	60,432
Interest receivable and other assets	40,875	38,725	37,123	37,638	46,406
Deferred financing costs, net of accumulated amortization	4,461	3,837	12,645	13,267	14,550
Deferred tax asset, net			9,125	4,003	
Total assets	$ 2,553,426	$ 2,265,395	$ 2,080,279	$ 1,878,928	$ 1,693,785
Liabilities and net assets:					
Credit facility	$ 301,000	$ 64,000	$ 343,000	$ 291,000	$ 218,000
SBIC debentures at fair value(1)	338,186	288,483	239,603	223,660	222,781
4.50% Notes due 2022	182,622	182,015			
4.50% Notes due 2019	174,338	173,616	175,000	175,000	175,000
6.125% Notes		89,057	90,655	90,738	90,823
Accounts payable and other liabilities	17,962	20,168	14,205	12,292	10,701
Payable for securities purchased	28,254	40,716	2,184	2,311	14,773
Interest payable	6,041	5,273	4,103	3,959	4,848
Dividend payable	11,948	11,146	10,048	9,074	7,663
Deferred tax liability, net	17,026	10,553			9,214
Total liabilities	1,077,377	885,027	878,798	808,034	753,803
Total net asset value	1,476,049	1,380,368	1,201,481	1,070,894	939,982
Total liabilities and net assets	$ 2,553,426	$ 2,265,395	$ 2,080,279	$ 1,878,928	$ 1,693,785
Other data:					
Weighted-average effective yield on LMM debt investments(2)(3)	12.3%	12.0%	12.5%	12.2%	13.2%
Number of LMM portfolio companies	69	70	73	71	66
Weighted-average effective yield on Middle Market debt investments(2)(3)	9.6%	9.0%	8.5%	8.0%	7.8%
Number of Middle Market portfolio companies	56	62	78	86	86
Weighted-average effective yield on Private Loan debt investments(2)(3)	10.4%	9.2%	9.6%	9.5%	10.1%
Number of Private Loan portfolio companies	59	54	46	40	31
Expense ratios (as percentage of average net assets):					
Total expenses, including income tax expense	5.7%	7.4%	5.5%	4.6%	5.8%
Operating expenses	5.3%	5.5%	5.6%	5.5%	5.1%
Operating expenses, excluding interest expense	2.3%	2.6%	2.6%	2.4%	2.4%
Total investment return(4)	8.3%	16.0%	37.4%	8.5%	3.1%
Total return based on change in NAV(5)	12.2%	14.2%	13.0%	11.1%	12.7%

(1) SBIC debentures for December 31, 2018, 2017, 2016, 2015 and 2014 are $345,800, $295,800, $240,000, $225,000 and $225,000 at par, respectively.

(2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status. The weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect any debt investments on non-accrual status, our expenses or any sales load paid by an investor. For information on our investments on non-accrual status, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio Asset Quality" elsewhere in this prospectus supplement.

(3)
Including investments on non-accrual status, the weighted-average effective yield for LMM, Middle Market, and Private Loan debt investments was 11.3%, 9.5%, and 9.8%, respectively, as of December 31, 2018.

(4)
Total investment return is based on the 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 our dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.

(5)
Total return is based on change in net asset value and 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. Non-operating changes include any items that affect net asset value other than the net increase in net assets resulting from operations, such as the effects of stock offerings, shares issued under the DRIP and equity incentive plans and other miscellaneous items.

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

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this prospectus supplement.

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

ORGANIZATION

Main Street Capital Corporation ("MSCC") is a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. The portfolio investments of MSCC and its consolidated subsidiaries are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in a variety of industry sectors. MSCC seeks to partner with entrepreneurs, business owners and management teams and generally provides "one stop" financing alternatives within its LMM portfolio. MSCC and its consolidated subsidiaries invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

MSCC was formed in March 2007 to operate as an internally managed business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). MSCC wholly owns several investment funds, including Main Street Mezzanine Fund, LP ("MSMF"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). Because MSCC is internally managed, all of the executive officers and other employees are employed by MSCC. Therefore, MSCC does not pay any external investment advisory fees, but instead directly incurs the operating costs associated with employing investment and portfolio management professionals.

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and receives fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission ("SEC") to allow the External Investment Manager to register as a registered investment adviser under the Investment Advisers Act of 1940, as amended. Since the External Investment Manager conducts all of its investment management activities for External Parties, it is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements.

MSCC has elected to be treated for U.S. 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 U.S. federal income taxes on any net ordinary taxable income or capital gains that it distributes to its stockholders.

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MSCC has certain direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of the Taxable Subsidiaries is to permit MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes.

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our," the "Company" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries.

OVERVIEW

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between $10 million and $150 million, and our LMM portfolio investments generally range in size from $5 million to $50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between $150 million and $1.5 billion, and our Middle Market investments generally range in size from $3 million to $20 million. Our private loan ("Private Loan") portfolio investments are primarily debt securities in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

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

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

Our Private Loan portfolio investments are primarily debt securities in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

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Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities.

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2018 and 2017 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

	As of December 31, 2018		
	LMM(a)	Middle Market	Private Loan
	(dollars in millions)		
Number of portfolio companies	69	56	59
Fair value	$ 1,195.0	$ 576.9	$ 507.9
Cost	$ 990.9	$ 608.8	$ 553.3
% of portfolio at cost debt	68.7%	96.3%	93.0%
% of portfolio at cost equity	31.3%	3.7%	7.0%
% of debt investments at cost secured by first priority lien	98.5%	87.9%	92.0%
Weighted-average annual effective yield(b)	12.3%	9.6%	10.4%
Average EBITDA(c)	$ 4.7	$ 99.1	$ 46.1

(a) At December 31, 2018, we had equity ownership in approximately 99% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 40%.

(b) The weighted average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2018, 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. Weighted average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.

(c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including two LMM portfolio companies, one Middle Market portfolio company and four Private Loan portfolio companies, as EBITDA is not

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a meaningful valuation metric for our investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

	As of December 31, 2017		
	LMM(a)	Middle Market	Private Loan
	(dollars in millions)		
Number of portfolio companies	70	62	54
Fair value	$ 948.2	$ 609.3	$ 467.5
Cost	$ 776.5	$ 629.7	$ 489.2
% of portfolio at cost debt	67.1%	97.3%	93.6%
% of portfolio at cost equity	32.9%	2.7%	6.4%
% of debt investments at cost secured by first priority lien	98.1%	90.5%	94.5%
Weighted-average annual effective yield(b)	12.0%	9.0%	9.2%
Average EBITDA(c)	$ 4.4	$ 78.3	$ 39.6

(a) At December 31, 2017, we had equity ownership in approximately 97% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 39%.

(b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2017, 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. Weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.

(c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including six LMM portfolio companies, one Middle Market portfolio company and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

As of December 31, 2018, we had Other Portfolio investments in eleven companies, collectively totaling approximately $108.3 million in fair value and approximately $116.0 million in cost basis and which comprised approximately 4.4% of our Investment Portfolio (as defined in "Critical Accounting Policies Basis of Presentation" below) at fair value. As of December 31, 2017, we had Other Portfolio investments in eleven companies, collectively totaling approximately $104.6 million in fair value and approximately $109.4 million in cost basis and which comprised approximately 4.8% of our Investment Portfolio at fair value.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2018, there was no cost basis in this investment and the investment had a fair value of approximately $65.7 million, which comprised approximately 2.7% of our Investment Portfolio at fair value. As of December 31, 2017, there was no cost basis in this investment and the investment had a fair value of approximately $41.8 million, which comprised approximately 1.9% of our Investment Portfolio at fair value.

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different

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regulatory regimes. An investor's return in MSCC will depend, in part, on the Funds' investment returns as they are wholly owned subsidiaries of MSCC.

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

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the years ended December 31, 2018 and 2017, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% and 1.6%, respectively.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. The External Investment Manager has conditionally agreed to waive the historical incentive fees otherwise earned. During the years ended December 31, 2018, 2017 and 2016, the External Investment Manager earned $11.6 million, $10.9 million and $9.5 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

During April 2014, we received an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income. Because the External Investment Manager may receive performance-based fee compensation from HMS Income, this may provide it an incentive to allocate opportunities to HMS Income instead of us. However, both we and the External Investment Manager have policies and procedures in place to manage this conflict.

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CRITICAL ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager. Our results of operations and cash flows for the years ended December 31, 2018, 2017 and 2016 and financial position as of December 31, 2018 and 2017, are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current presentation.

We are an investment company following the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services Investment Companies* ("ASC 946"). Under ASC 946, we are precluded from consolidating other entities in which we have equity investments, including those in which we have a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us or to any of our portfolio companies. Accordingly, as noted above, our consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. We have determined that all of our portfolio investments do not qualify for this exception, including the investment in the External Investment Manager. Therefore, our Investment Portfolio is carried on the consolidated balance sheet at fair value with any adjustments to fair value recognized as "Net Unrealized Appreciation (Depreciation)" on the consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)."

Investment Portfolio Valuation

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of both December 31, 2018 and 2017, our Investment Portfolio valued at fair value represented approximately 96% of our total assets. We are required to report our investments at fair value. We follow the provisions of FASB 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 us 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. See "Note B.1. Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio may differ materially from the values that would have been determined 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

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currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

Our Board of Directors has the final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. We believe our Investment Portfolio as of December 31, 2018 and 2017 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

Revenue Recognition

Interest and Dividend Income

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

Fee Income

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

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

We hold certain debt and preferred equity instruments in our Investment Portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We stop accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when we determine that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2018, 2017 and 2016, (i) approximately 1.0%, 2.4%, and 3.6%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.0%, 1.6%, and 1.2%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

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Share-Based Compensation

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

We have also adopted Accounting Standards Update ("ASU") 2016-09, *Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which requires that all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) be recognized as income tax expense or benefit in the income statement and not delay recognition of a tax benefit until the tax benefit is realized through a reduction to taxes payable. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. Additionally, we have elected to account for forfeitures as they occur.

Income Taxes

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary taxable income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax-exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S. federal 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 on or prior to the later of (i) filing of the U.S. federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

The Taxable Subsidiaries primarily hold certain portfolio investments for us. The Taxable Subsidiaries permit us to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes and to continue to comply with the "source-of-income" requirements contained in the RIC tax provisions of the Code. The Taxable Subsidiaries are consolidated with us for U.S. GAAP financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in our consolidated financial statements as portfolio investments and recorded at fair value. The Taxable Subsidiaries are not consolidated with MSCC for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities, as a result of their ownership of certain portfolio investments. The taxable income, or loss, of the Taxable Subsidiaries may differ from their book income, or loss, due to temporary book and tax timing differences and permanent differences. The Taxable Subsidiaries are each taxed at their normal corporate tax rates based on their taxable income. The income tax expense, or benefit, if any, and the related tax assets and liabilities, of the Taxable Subsidiaries are reflected in our consolidated financial statements.

The External Investment Manager is an indirect wholly owned subsidiary of MSCC owned through a Taxable Subsidiary and is a disregarded entity for tax purposes. The External Investment Manager has entered into a tax sharing agreement with its Taxable Subsidiary owner. Since the External Investment Manager is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements, and as a result of the tax sharing agreement with its Taxable Subsidiary owner, for its stand-alone financial reporting purposes the External Investment Manager is treated as if it is taxed at normal corporate tax rates based on its

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taxable income and, as a result of its activities, may generate income tax expense or benefit. The income tax expense, or benefit, if any, and the related tax assets and liabilities, of the External Investment Manager are reflected in the External Investment Manager's separate financial statements.

In December 2017, the "Tax Cuts and Jobs Act" legislation was enacted. The Tax Cuts and Jobs Act includes significant changes to the U.S. corporate tax system, including a U.S. federal corporate income tax rate reduction from 35% to 21% and other changes. ASC 740, *Income Taxes*, requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation was enacted. As such, we have accounted for the tax effects as a result of the enactment of the Tax Cuts and Jobs Act beginning with the period ended December 31, 2017.

The Taxable Subsidiaries and the External Investment Manager use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated 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, if necessary, against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

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

INVESTMENT PORTFOLIO COMPOSITION

Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our LMM portfolio companies generally have annual revenues between $10 million and $150 million, and our LMM investments generally range in size from $5 million to $50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, can include either fixed or floating rate terms and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, we receive nominally priced equity warrants and/or make direct equity investments in connection with a debt investment.

Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio companies generally have annual revenues between $150 million and $1.5 billion, and our Middle Market investments generally range in size from $3 million to $20 million. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

Our Private Loan portfolio investments are primarily debt securities in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

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Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income. Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities, and we allocate the related expenses to the External Investment Manager pursuant to the sharing agreement. Our total expenses for the years ended December 31, 2018, 2017 and 2016 are net of expenses allocated to the External Investment Manager of $6.8 million, $6.4 million and $5.1 million, respectively. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. The total contribution of the External Investment Manager to our net investment income consists of the combination of the expenses allocated to the External Investment Manager and the dividend income received from the External Investment Manager. For the years ended December 31, 2018, 2017 and 2016, the total contribution to our net investment income was $10.6 million, $9.4 million and $7.9 million, respectively.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of December 31, 2018 and 2017 (this information excludes the Other Portfolio investments and the External Investment Manager).

Cost:	**December 31, 2018**	**December 31, 2017**
First lien debt	77.1%	79.0%
Equity	16.6%	15.3%
Second lien debt	5.3%	4.5%
Equity warrants	0.6%	0.7%
Other	0.4%	0.5%
	100.0%	100.0%

Fair Value:	**December 31, 2018**	**December 31, 2017**
First lien debt	69.0%	70.5%
Equity	25.5%	24.4%
Second lien debt	4.6%	4.1%
Equity warrants	0.5%	0.6%
Other	0.4%	0.4%
	100.0%	100.0%

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments carry a number of risks including: (1) investing in companies which may have limited operating histories and financial resources; (2) holding investments that generally are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in our Investment Portfolio. Please see "Risk Factors Risks Related to Our Investments" in the accompanying prospectus and "Supplementary Risk Factors" in this prospectus supplement for a more complete discussion of the risks involved with investing in our Investment Portfolio.

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PORTFOLIO ASSET QUALITY

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including each investment's expected level of returns, the collectability of our debt investments and the ability to receive a return of the invested capital in our equity investments, comparisons to competitors and other industry participants, the portfolio company's future outlook and other factors that are deemed to be significant to the portfolio company.

As of December 31, 2018, our total Investment Portfolio had six investments on non-accrual status, which comprised approximately 1.3% of its fair value and 3.9% of its cost. As of December 31, 2017, our total Investment Portfolio had five investments on non-accrual status, which comprised approximately 0.2% of its fair value and 2.3% of its cost.

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

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DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2018 and 2017

	Twelve Months Ended December 31,		Net Change	
	2018	2017	Amount	%
	(dollars in thousands)			
Total investment income	$ 233,355	$ 205,741	$ 27,614	13%
Total expenses	(76,710)	(70,370)	(6,340)	9%
Net investment income	156,645	135,371	21,274	16%
Net realized gain from investments	1,341	16,182	(14,841)	
Net realized loss on extinguishment of debt	(2,896)	(5,217)	2,321	
Net unrealized appreciation from:				
Portfolio investments	17,981	42,545	(24,564)	
SBIC debentures	1,294	6,212	(4,918)	
Total net unrealized appreciation	19,275	48,757	(29,482)	
Income tax provision	(6,152)	(24,471)	18,319	
Net increase in net assets resulting from operations	$ 168,213	$ 170,622	$ (2,409)	(1)%

	Twelve Months Ended December 31,		Net Change	
	2018	2017	Amount	%
	(dollars in thousands, except per share amounts)			
Net investment income	$ 156,645	$ 135,371	$ 21,274	16%
Share-based compensation expense	9,151	10,027	(876)	(9)%
Distributable net investment income(a)	$ 165,796	$ 145,398	$ 20,398	14%
Net investment income per share Basic and diluted	$ 2.60	$ 2.39	$ 0.21	9%
Distributable net investment income per share Basic and diluted(a)	$ 2.76	$ 2.56	$ 0.20	8%

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

Investment Income

For the year ended December 31, 2018, total investment income was $233.4 million, a 13% increase over the $205.7 million of total investment income for the corresponding period of 2017. This comparable period increase was principally attributable to (i) a $15.2 million net increase in interest

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income primarily related to higher average levels of Investment Portfolio debt investments and an increase in their average effective yields, partially offset by decreases in interest income associated with activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring and prepayment, repricing and other activities involving existing Investment Portfolio debt investments, (ii) a $11.8 million increase in dividend income from Investment Portfolio equity investments and (iii) a $0.7 million increase in fee income. The $27.6 million increase in total investment income in the year ended December 31, 2018 includes $6.3 million related to elevated dividend income activity from certain Investment Portfolio equity investments that is considered to be less consistent on a recurring basis or non-recurring, partially offset by (i) a decrease of $2.7 million related to interest income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring and (ii) a decrease of $2.5 million related to lower accelerated prepayment, repricing and other activity for certain Investment Portfolio debt investments, in each case when compared to the same period in 2017.

Expenses

For the year ended December 31, 2018, total expenses increased to $76.7 million from $70.4 million for the corresponding period of 2017. This comparable period increase in operating expenses was principally attributable to (i) a $7.0 million increase in interest expense, primarily due to an $8.0 million increase as a result of the issuance of our 4.50% Notes due 2022 in November 2017, with the remainder of the difference from prior year due to the higher average balance of SBIC debentures outstanding and an increase in both the average balance outstanding and the interest rate on our multi-year revolving credit facility (the "Credit Facility"), with these increases partially offset by a decrease from the redemption of the 6.125% Notes effective April 1, 2018, and (ii) a $0.4 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals, with these increases partially offset by (i) a $0.9 million decrease in share-based compensation expense, (ii) a decrease of $0.9 million related to an additional decrease in incentive compensation accruals and (iii) a $0.4 million increase in the expenses allocated to the External Investment Manager as a result of elevated non-recurring strategic activities at the External Investment Manager during the year ended December 31, 2018. The $0.4 million increase in compensation expense is after (i) a $1.5 million decrease that is considered to be a one-time non-recurring benefit due to the conversion of a cash bonus to an expected non-cash restricted stock grant for an executive that will be amortized as non-cash, share-based compensation expense over the future service period and (ii) a $0.4 million decrease as a result of the decrease in the fair value of our deferred compensation plan assets. The ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets for the year ended December 31, 2018 was 1.4% on an annualized basis compared to 1.6% for the year ended December 31, 2017.

Net Investment Income

Net investment income for the year ended December 31, 2018 was $156.6 million, or a 16% increase, compared to net investment income of $135.4 million for the corresponding period of 2017. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses both as discussed above.

Distributable Net Investment Income

For the year ended December 31, 2018, distributable net investment income increased 14% to $165.8 million, or $2.76 per share, compared with $145.4 million, or $2.56 per share, in the corresponding period of 2017. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses both as discussed above. Distributable net investment income on a per share basis for the year ended

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December 31, 2018 reflects (i) a consistent level of income per share from the comparable period in 2017 attributable to the net effect of the elevated dividend income activity, offset by the decreases in interest income associated with the comparable levels of activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring and accelerated prepayment, repricing and other income activity considered non-recurring, as discussed above, (ii) an increase of $0.03 per share due to the non-recurring benefit to compensation expense and the decrease in the fair value of the deferred compensation plan assets, both as discussed above, and (iii) a greater number of average shares outstanding compared to the corresponding period in 2017 primarily due to shares issued through the ATM Program (as defined in " Liquidity and Capital Resources Capital Resources" below), shares issued pursuant to our equity incentive plans and shares issued pursuant to our dividend reinvestment plan.

Net Increase in Net Assets Resulting from Operations

The net increase in net assets resulting from operations during the year ended December 31, 2018 was $168.2 million, or $2.80 per share, compared with $170.6 million, or $3.01 per share, during the year ended December 31, 2017. This $2.4 million decrease from the prior year was primarily the result of (i) a $29.5 million decrease in net unrealized appreciation from portfolio investments and SBIC debentures, including the impact of accounting reversals relating to realized gains/income (losses), and (ii) a $14.8 million decrease in the net realized gain from investments, with these decreases partially offset by (i) a $21.3 million increase in net investment income as discussed above, (ii) a $18.3 million decrease in the income tax provision and (iii) a $2.3 million improvement in the net realized loss on extinguishment of debt. The net realized gain from investments of $1.3 million for the year ended December 31, 2018 was primarily the result of (i) the net realized gain of $13.7 million resulting from the net effect of gains on the exits of six LMM investments, partially offset by losses on the exits of four LMM investments and other activity in the LMM portfolio, (ii) the realized gains of $6.1 million due to activity in our Other Portfolio and (iii) the realized gains of $2.5 million in our Private Loan portfolio, with the effect of these net realized gains partially offset by the net realized loss of $20.9 million in our Middle Market portfolio, which is primarily the result of (i) the realized losses of $17.6 million on the restructures of two Middle Market investments and (ii) the realized losses of $4.4 million on the exits of two Middle Market investments.

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The following table provides a summary of the total net unrealized appreciation of $19.3 million for the year ended December 31, 2018:

	Twelve Months Ended December 31, 2018				
	LMM(a)	Middle Market	Private Loan	Other	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains / income) losses recognized during the current period	$ (22.2)	$ 19.6	$ (4.4)	$ (2.6)	$ (9.6)
Net unrealized appreciation (depreciation) relating to portfolio investments	54.5	(31.3)	(19.3)	23.7(b)	27.6
Total net unrealized appreciation (depreciation) relating to portfolio investments	$ 32.3	$ (11.7)	$ (23.7)	$ 21.1	$ 18.0
Unrealized appreciation relating to SBIC debentures(c)					1.3
Total net unrealized appreciation					$ 19.3

(a) LMM includes unrealized appreciation on 39 LMM portfolio investments and unrealized depreciation on 19 LMM portfolio investments.

(b) Other includes $24.0 million of unrealized appreciation relating to the External Investment Manager and $0.3 million of net unrealized depreciation relating to the Other Portfolio.

(c) Primarily relates to unrealized appreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis and includes $1.4 million of accounting reversals of previously recognized unrealized depreciation recorded since the date of acquisition of MSC II on the debentures repaid due to fair value adjustments since such date.

The income tax provision for the year ended December 31, 2018 of $6.2 million principally consisted of a deferred tax provision of $5.8 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences, and other current tax expense of $0.4 million.

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Comparison of the years ended December 31, 2017 and 2016

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Net Change Amount	Net Change %
	(dollars in thousands)			
Total investment income	$ 205,741	$ 178,339	$ 27,402	15%
Total expenses	(70,370)	(62,537)	(7,833)	13%
Net investment income	135,371	115,802	19,569	17%
Net realized gain from investments	16,182	29,389	(13,207)	
Net realized loss from SBIC debentures	(5,217)		(5,217)	
Net unrealized appreciation (depreciation) from:				
Portfolio investments	42,545	(8,305)	50,850	
SBIC debentures and marketable securities and idle funds	6,212	786	5,426	
Total net unrealized appreciation (depreciation)	48,757	(7,519)	56,276	
Income tax benefit (provision)	(24,471)	1,227	(25,698)	
Net increase in net assets resulting from operations	$ 170,622	$ 138,899	$ 31,723	23%

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Net Change Amount	Net Change %
	(dollars in thousands, except per share amounts)			
Net investment income	$ 135,371	$ 115,802	$ 19,569	17%
Share-based compensation expense	10,027	8,304	1,723	21%
Distributable net investment income(a)	$ 145,398	$ 124,106	$ 21,292	17%
Net investment income per share Basic and diluted	$ 2.39	$ 2.23	$ 0.16	7%
Distributable net investment income per share Basic and diluted(a)	$ 2.56	$ 2.39	$ 0.17	7%

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

Investment Income

For the year ended December 31, 2017, total investment income was $205.7 million, a 15% increase over the $178.3 million of total investment income for the corresponding period of 2016. This comparable period increase was principally attributable to (i) a $23.2 million increase in interest income primarily related to higher average levels of portfolio debt investments and increased activities involving existing Investment Portfolio debt investments, (ii) a $2.5 million increase in dividend income from Investment Portfolio equity investments and (iii) a $1.8 million increase in fee income. The $27.4 million increase in total investment income in the year ended December 31, 2017 includes (i) an increase of $6.7 million related to higher accelerated prepayment, repricing and other activity for certain portfolio debt investments when compared to the same period in 2016, (ii) an increase of $2.7 million related to interest income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring during the period when compared to the same period in 2016 and (iii) includes $1.7 million related to dividend income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring which is consistent with the amount from such dividend income activity in the same period in 2016.

Expenses

For the year ended December 31, 2017, total expenses increased to $70.4 million from $62.5 million for the corresponding period of 2016. This comparable period increase in operating expenses was principally attributable to (i) a $2.8 million increase in interest expense, primarily due to (a) a $1.4 million increase on the Credit Facility due to the higher average interest rate during 2017, (b) a $0.9 million increase due to the issuance of our 4.50% Notes due 2022 in November 2017 and (c) a $0.5 million increase due to the higher average balance of SBIC debentures outstanding, (ii) a $2.4 million increase in general and administrative expenses, including approximately $0.6 million related to non-recurring professional fees and other expenses incurred on certain potential new portfolio investment opportunities which were terminated during the due diligence and legal documentation processes, (iii) a $2.2 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals and (iv) a $1.7 million increase in share-based compensation expense, with these increases partially offset by a $1.3 million increase in the expenses allocated to the External Investment Manager, in each case when compared to the same period in the prior year. For the years ended December 31, 2017 and 2016, the ratio of our total operating expenses, excluding interest expense and the non-recurring professional fees and other expenses discussed above as a percentage of our quarterly average total assets was 1.5%. Including the effect of the non-recurring expenses, the ratio for the year ended December 31, 2017 was 1.6%.

Net Investment Income

Net investment income for the year ended December 31, 2017 was $135.4 million, or a 17% increase, compared to net investment income of $115.8 million for the corresponding period of 2016. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses both as discussed above.

Distributable Net Investment Income

For the year ended December 31, 2017, distributable net investment income increased 17% to $145.4 million, or $2.56 per share, compared with $124.1 million, or $2.39 per share in 2016. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses both as discussed above. Distributable net investment income on a per share basis for the year ended December 31, 2017 reflects an (i) increase of approximately $0.16 per share from the comparable period in 2016 attributable to the net increase in the comparable levels of accelerated prepayment, repricing and other, unusual activity for certain Investment Portfolio debt investments and (ii) a greater number of average shares outstanding compared to the corresponding period in 2016 primarily due to shares issued through the ATM Program (as defined in " Liquidity and Capital Resources Capital Resources" below), shares

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issued pursuant to our equity incentive plans and shares issued pursuant to our dividend reinvestment plan.

Net Increase in Net Assets Resulting from Operations

The net increase in net assets resulting from operations during the year ended December 31, 2017 was $170.6 million, or $3.01 per share, compared with $138.9 million, or $2.67 per share, during the year ended December 31, 2016. This $31.7 million increase from the prior year was primarily the result of (i) a $56.3 million improvement in net unrealized appreciation (depreciation) from portfolio investments and SBIC debentures, including the impact of accounting reversals relating to realized gains/income (losses), from net unrealized depreciation of $7.5 million for the year ended December 31, 2016 to net unrealized appreciation of $48.8 million for the year ended December 31, 2017, which includes the impact of approximately $15.0 million of unrealized appreciation in the LMM equity portfolio related to the enactment of the Tax Cuts and Jobs Act (see further discussion above in " Critical Accounting Policies Income Taxes") and (ii) a $19.6 million increase in net investment income as discussed above, with these increases partially offset by (i) a $25.7 million change in the income tax benefit (provision) from an income tax benefit of $1.2 million for the year ended December 31, 2016 to an income tax provision of $24.5 million for the year ended December 31, 2017, (ii) a $13.2 million decrease in the net realized gain from investments to a total net realized gain from investments of $16.2 million for the year ended December 31, 2017 and (iii) a $5.2 million realized loss on the repayment of SBIC debentures outstanding at MSC II which had previously been accounted for on the fair value method of accounting. The net realized gain from investments of $16.2 million for the year ended December 31, 2017 was primarily the result of (i) the net realized gain of $11.8 million resulting from gains on the exits of five LMM investments and losses on the exits of four LMM investments, (ii) realized gains of $9.3 million due to activity in our Other Portfolio, (iii) net realized gains of $3.0 million in our Private Loan portfolio resulting from gains on the exits of two Private Loan investments and a loss on the restructure of a Private Loan investment, (iv) realized gains of $2.1 million related to other activity in the LMM portfolio and (v) the net realized loss of $9.8 million in our Middle Market portfolio, which is primarily the result of (a) realized losses of $7.9 million on the exits of two Middle Market investments and (b) the realized loss of $3.5 million on the restructure of a Middle Market investment, with these changes partially offset by $1.5 million of net realized gains on other activity in our Middle Market portfolio. The realized loss of $5.2 million on the repayment of SBIC debentures is related to the previously recognized bargain purchase gain resulting from recording the MSC II debentures at fair value on the date of the acquisition of the majority of the equity interests of MSC II in 2010. The effect of the realized loss is offset by the reversal of all previously recognized unrealized depreciation on these SBIC debentures due to fair value adjustments since the date of the acquisition.

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The following table provides a summary of the total net unrealized appreciation of $48.8 million for the year ended December 31, 2017:

	Twelve Months Ended December 31, 2017				
	LMM(a)	Middle Market	Private Loan	Other(b)	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains)/(income) losses recognized during the current period	$ (11.1)	$ 5.6	$ (3.1)	$ (8.1)	$ (16.7)
Net unrealized appreciation (depreciation) relating to portfolio investments	50.6	(9.6)	(3.1)	21.4	59.3
Total net unrealized appreciation (depreciation) relating to portfolio investments	$ 39.5	$ (4.0)	$ (6.2)	$ 13.3	$ 42.6
Unrealized appreciation relating to SBIC debentures(c)					6.2
Total net unrealized appreciation					$ 48.8

(a) LMM includes unrealized appreciation on 39 LMM portfolio investments and unrealized depreciation on 25 LMM portfolio investments.

(b) Other includes $11.2 million of unrealized appreciation relating to the External Investment Manager and $10.2 million of net unrealized appreciation relating to the Other Portfolio.

(c) Relates to unrealized appreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis and includes $6.0 million of accounting reversals resulting from the reversal of previously recognized unrealized depreciation recorded since the date of acquisition of MSC II on the debentures repaid due to fair value adjustments since such date and $0.2 million of current period unrealized appreciation on the remaining SBIC debentures.

The income tax provision for the year ended December 31, 2017 of $24.5 million principally consisted of a deferred tax provision of $19.3 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences, and other current tax expense of $5.2 million related to (i) a $1.9 million accrual for excise tax on our estimated undistributed taxable income and (ii) current tax expense of $3.3 million related to accruals for U.S. federal and state income taxes.

Liquidity and Capital Resources

Cash Flows

For the year ended December 31, 2018, we experienced a net increase in cash and cash equivalents in the amount of approximately $2.7 million, which is the net result of approximately $109.1 million of cash used in our operating activities and approximately $111.7 million of cash provided by our financing activities.

During the year ended December 31, 2018, $109.1 million of cash was used in our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling $149.8 million, which is our $165.8 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of $14.7 million, payment-in-kind interest income of $2.3 million, cumulative dividends of $2.3 million and the

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amortization expense for deferred financing costs of $3.3 million, and (ii) cash uses totaling $963.4 million, which principally consisted of $962.5 million for the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2017 and $0.9 million related to decreases in payables and accruals and (iii) cash proceeds totaling $704.6 million from $703.2 million in cash proceeds from the sales and repayments of debt investments and sales of and return on capital of equity investments and $1.4 million related to decreases in other assets.

During the year ended December 31, 2018, $111.7 million in cash was provided by financing activities, which principally consisted of (i) $237.0 million in net cash proceeds from the Credit Facility (ii) $78.4 million in net cash proceeds from the ATM Program (described below), and (iii) $54.0 million in cash proceeds from issuance of SBIC debentures, partially offset by (i) $156.0 million in cash dividends paid to stockholders, (ii) $90.7 million in redemption of 6.125% Notes, (iii) $4.0 million in repayment of SBIC debentures, (iv) $4.1 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock and (v) $2.9 million for payment of deferred debt issuance costs, SBIC debenture fees and other costs.

For the year ended December 31, 2017, we experienced a net increase in cash and cash equivalents in the amount of approximately $27.0 million, which is the result of approximately $72.9 million of cash provided by our operating activities and approximately $45.9 million of cash used in financing activities.

During the year ended December 31, 2017, $72.9 million of cash was provided by our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling $123.1 million, which is our $145.4 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of $17.0 million, payment-in-kind interest income of $4.9 million, cumulative dividends of $3.2 million and the amortization expense for deferred financing costs of $2.8 million, (ii) cash uses totaling $876.7 million for the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2016, and (iii) cash proceeds totaling $826.5 million from (a) $819.4 million in cash proceeds from the sales and repayments of debt investments and sales of and return on capital of equity investments, (b) $4.5 million related to decreases in other assets and (c) $2.6 million related to increases in payables and accruals.

During the year ended December 31, 2017, $45.9 million in cash was used in financing activities, which principally consisted of (i) $150.9 million in net cash proceeds from the ATM Program (described below), (ii) $185.0 million in cash proceeds from the issuance of 4.50% Notes due 2022 in November 2017 and (iii) $81.0 million in cash proceeds from issuance of SBIC debentures, partially offset by (i) $279.0 million in net repayments on the Credit Facility and (ii) $148.4 million in cash dividends paid to stockholders, (iii) $25.2 million in repayment of SBIC debentures, (iii) $4.4 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock and (iv) $5.9 million for payment of deferred debt issuance costs, SBIC debenture fees and other costs.

Capital Resources

As of December 31, 2018, we had $54.2 million in cash and cash equivalents and $404.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of December 31, 2018, our net asset value totaled $1,476.0 million, or $24.09 per share.

The Credit Facility, which provides additional liquidity to support our investment and operational activities, was amended and restated during 2018 to provide for an increase in total commitments from $585.0 million to $705.0 million and to increase the diversified group of lenders to eighteen, eliminate interest rate adjustments previously subject to our maintenance of an investment grade rating and extend the final maturity by two years to September 2023. The amended Credit Facility also contains an upsized accordion feature which allows us to increase the total commitments under the facility to up to $800.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

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Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis at a rate equal to the applicable LIBOR rate (2.5% as of December 31, 2018) plus (i) 1.875% (or the applicable base rate (Prime Rate of 5.5% as of December 31, 2018) plus 0.875%) as long as we meet certain agreed upon excess collateral and maximum leverage requirements or (ii) 2.0% (or the applicable base rate plus 1.0%) otherwise. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio (tangible net worth to Credit Facility borrowings) of at least 1.5 to 1.0 and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2023, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. As of December 31, 2018, we had $301.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 4.2% and we were in compliance with all financial covenants of the Credit Facility.

Through the Funds, we have the ability to issue SBIC debentures guaranteed by the SBA at favorable interest rates and favorable terms and conditions. Under existing SBA regulations, SBA approved SBICs under common control have the ability to issue debentures guaranteed by the SBA up to a regulatory maximum amount of $350.0 million. Through the Funds, we have an effective maximum amount of $346.0 million following the prepayment of $4.0 million of existing SBIC debentures as discussed below. During the year ended December 31, 2018, we issued $54.0 million of SBIC debentures and opportunistically prepaid $4.0 million of our existing SBIC debentures as part of an effort to manage the maturity dates of our oldest SBIC debentures. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semiannually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. We expect to issue new SBIC debentures under the SBIC program in the future in an amount up to the regulatory maximum amount for affiliated SBIC funds. As of December 31, 2018, through our three wholly owned SBICs, we had $345.8 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted-average annual fixed interest rate of approximately 3.7%, paid semiannually, and mature ten years from issuance. The first maturity related to our SBIC debentures occurs in 2019, and the weighted-average remaining duration is approximately 5.6 years as of December 31, 2018.

In April 2013, we issued $92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes (the "6.125% Notes"). The 6.125% Notes bore interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. The total net proceeds to us from the 6.125% Notes, after underwriting discounts and estimated offering expenses payable, were approximately $89.0 million. On April 2, 2018, we redeemed the entire principal amount of the issued and outstanding 6.125% Notes effective April 1, 2018 (the "Redemption Date"). The 6.125% Notes were redeemed at par value, plus the accrued and unpaid interest thereon from January 1, 2018, through, but excluding, the Redemption Date. As part of the redemption, we recognized a realized loss on extinguishment of debt of $1.5 million in the second quarter of 2018 related to the write-off of the related unamortized deferred financing costs.

In November 2014, we issued $175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes due 2019") at an issue price of 99.53%. The 4.50% Notes due 2019 are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes due 2019; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes due 2019 mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions. The 4.50% Notes due 2019 bear interest at a rate of 4.50% per year payable semiannually on June 1 and December 1 of each year. We may from time to time repurchase 4.50% Notes due 2019 in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2018, the outstanding balance of the 4.50% Notes due 2019 was $175.0 million.

The indenture governing the 4.50% Notes due 2019 (the "4.50% Notes due 2019 Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 4.50% Notes due 2019 and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These covenants are subject to limitations and exceptions that are described in the 4.50% Notes due 2019 Indenture.

In November 2017, we issued $185.0 million in aggregate principal amount of 4.50% unsecured notes due 2022 (the "4.50% Notes due 2022") at an issue price of 99.16%. The 4.50% Notes due 2022 are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes due 2022; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes due 2022 mature on December 1, 2022, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions. The 4.50% Notes due 2022 bear interest at a rate of 4.50% per year payable semiannually on June 1 and December 1 of each year. We may from time to time repurchase 4.50% Notes due 2022 in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2018, the outstanding balance of the 4.50% Notes due 2022 was $185.0 million.

The indenture governing the 4.50% Notes due 2022 (the "4.50% Notes due 2022 Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 4.50% Notes due 2022 and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 4.50% Notes due 2022 Indenture.

We maintain a program with certain selling agents through which we can sell shares of our common stock by means of at-the-market offerings from time to time (the "ATM Program").

During the year ended December 31, 2016, we sold 3,324,646 shares of our common stock at a weighted-average price of $34.17 per share and raised $113.6 million of gross proceeds under the ATM Program. Net proceeds were $112.0 million after commissions to the selling agents on shares sold and offering costs.

During the year ended December 31, 2017, we sold 3,944,972 shares of our common stock at a weighted-average price of $38.72 per share and raised $152.8 million of gross proceeds under the ATM

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Program. Net proceeds were $150.9 million after commissions to the selling agents on shares sold and offering costs.

During the year ended December 31, 2018, we sold 2,060,019 shares of our common stock at a weighted-average price of $38.48 per share and raised $79.3 million of gross proceeds under the ATM Program. Net proceeds were $78.0 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2018, 2,994,469 shares remained available for sale under the ATM Program.

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

We periodically invest excess cash balances into marketable securities and idle funds investments. The primary investment objective of marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments.

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2018 annual meeting of stockholders because our common stock price per share had been trading significantly above the net asset value per share of our common stock since 2011. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders, after consideration and application of our ability under the Code to carry forward certain excess undistributed taxable income from one tax year into the next tax year, substantially all of our taxable income. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if certain requirements are met). This requirement limits the amount that we may borrow. In January 2008, we received an exemptive order from the SEC to exclude SBA-guaranteed debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to us, which, in turn, enables us to fund more investments with debt capital.

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

Recently Issued or Adopted Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*