

Main Street Capital CORP  
Form 497  
March 22, 2011

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

PROSPECTUS SUPPLEMENT  
(to Prospectus dated June 17, 2010)

**3,500,000 Shares**

## **Main Street Capital Corporation**

### **Common Stock**

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We are offering for sale 3,500,000 shares of our common stock.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies, which we generally define as companies with annual revenues between \$10 million and \$100 million that operate in diverse industries. We seek to fill the current financing gap for LMM businesses, which, historically, have had more limited access to financing from commercial banks and other traditional sources. Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company.

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

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

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN." On March 21, 2011, the last reported sale price of our common stock on the New York Stock Exchange was \$19.08 per share.

**Investing in our common stock involves a high degree of risk, and should be considered highly speculative. See "Risk Factors" beginning on page 13 of the accompanying prospectus and "Supplemental Risk Factors" beginning on page S-10 of this prospectus supplement to read about factors you should consider, including the risk of leverage, before investing in our common stock.**

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. This information is

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available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at [www.mainstreetcapital.com](http://www.mainstreetcapital.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](http://www.sec.gov) that contains such information.

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$18.35000	\$64,225,000
Underwriting discount (4.50%)	\$ 0.82575	\$ 2,890,125
Proceeds, before expenses, to us(1)	\$17.52425	\$61,334,875

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

The underwriters have the option to purchase up to an additional 525,000 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be \$73,858,750, the total underwriting discount (4.50%) will be \$3,323,644, and the total proceeds to us, before deducting estimated expenses payable by us of \$200,000, will be \$70,535,106.

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

The underwriters expect to deliver the shares on or about March 24, 2011.

**Morgan Keegan**

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**BB&T Capital Markets**

A Division of Scott & Stringfellow, LLC

**Baird**

**Janney Montgomery Scott**

**Sanders Morris Harris**

The date of this prospectus supplement is March 22, 2011

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**ABOUT THE PROSPECTUS**

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

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

**Forward-Looking Statements**

Information contained in this prospectus supplement and the accompanying prospectus may contain forward-looking statements, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The matters described in the section titled "Risk Factors" in the accompanying prospectus and the section titled "Supplemental Risk Factors" in this prospectus supplement 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 common stock offered hereby, you should read the entire prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the sections titled "Supplemental Risk Factors," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Financial Statements" and the documents identified in the section titled "Available Information" in this prospectus supplement, as well as the section titled "Risk Factors" in the accompanying prospectus. Except as otherwise noted, all information in this prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters' over-allotment option.*

**Organization**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC, and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J to the consolidated financial statements included in this prospectus supplement). As of December 31, 2010, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding, including approximately 5% owned by affiliates of MSCC. We have submitted an exemptive relief application to the SEC to permit us to acquire the approximately 5% ownership in the total dollar value of the MSC II limited partnership interests held by affiliates of MSCC using the same valuation formula utilized in the Exchange Offer. There can be no assurance that we will obtain the exemptive relief or that if we do obtain such relief it will be obtained on the terms we have outlined in our request.

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

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

**Overview**

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

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

We typically seek to work with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) generally taking first priority liens on assets; and (iii) providing significant equity incentives for management teams of our portfolio companies. We prefer negotiated transactions to widely conducted auctions because we believe widely conducted auction transactions often have higher execution risk and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and leverage ratios.

As of December 31, 2010, we had debt and equity investments in 44 LMM portfolio companies. Approximately 77% of our total LMM portfolio investments at cost, excluding our 100% equity interest investment in the Investment Manager, were in the form of debt investments and 91% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. As of December 31, 2010, we had a weighted average effective yield on our LMM debt investments of 14.5%. Weighted average yields are computed using the effective interest rates for all debt investments at December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount. At December 31, 2010, we had equity ownership in approximately 91% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%.

In addition to our primary investment strategy of investing in LMM companies, we opportunistically pursue investments in privately placed debt securities. Our private placement investment portfolio primarily consists of direct or secondary private placements of interest bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. As of December 31, 2010, we had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of

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approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio investments was approximately \$352 million. All of our privately placed portfolio investments were in the form of debt investments and 71% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010.

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

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

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 "Supplemental Risk Factors Risks Related to Our Investments" in this prospectus supplement and "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, Suite 800, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at <http://www.mainstcapital.com>. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

**Business Strategies**

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

*Delivering Customized Financing Solutions in the Lower Middle Market.* We believe our ability to provide a broad range of customized financing solutions to LMM companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. We offer to our LMM portfolio companies customized debt financing solutions with equity components that are tailored to the facts and circumstances of each situation. Our ability to invest across a company's capital structure, from senior secured loans to subordinated debt to equity securities,

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allows us to offer our LMM portfolio companies a comprehensive suite of financing solutions, or "one-stop" financing.

*Focusing on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building their management teams or are in the early stages of building a revenue base. However, we also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.

*Leveraging 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. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include eight certified public accountants and one chartered financial analyst. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional or complex structures for our portfolio companies.

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

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

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

**Investment Criteria**

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

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

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance. We typically focus on LMM companies that have historically generated EBITDA ("Earnings Before Interest, Taxes, Depreciation and



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Amortization") of \$1 million to \$10 million and commensurate levels of free cash flow. We also opportunistically pursue investments in privately placed debt securities in companies that are generally larger in size than the LMM companies we target. We generally do not invest in start-up companies or companies with speculative business plans.

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

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or 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**

During January 2011, we closed an expansion of our three-year credit facility (the "Credit Facility") from \$85 million to \$100 million. The \$15 million increase in total commitments pursuant to an accordion feature under the Credit Facility relates to a new lender relationship, which further diversifies the Main Street lending group to a total of six participants. The accordion feature of the Credit Facility allows us to seek up to \$150 million of total commitments from new or existing lenders on the same terms and conditions as the existing commitments. The increase in total commitments under the Credit Facility provides us with access to additional financing capacity in support of our future investment and operational activities. As of March 21, 2011, we had approximately \$65.0 million outstanding under the Credit Facility.

During January 2011, we closed LMM portfolio investments in Pegasus Research Group, LLC (dba Televerde ("Televerde")), and in Van Gilder Insurance Corporation ("Van Gilder"). Our \$7.5 million investment in Televerde represents a combination of debt and equity capital invested in the company in order to support the recapitalization and growth financing of the company. Televerde is headquartered in Phoenix, Arizona and provides sales-lead services to Fortune 500 IT hardware and software companies. Our \$10.7 million investment in Van Gilder represents a combination of debt and equity capital invested in the company in order to refinance certain debt obligations and provide additional liquidity for the company's ongoing operations. Van Gilder is headquartered in Denver, Colorado and provides a full spectrum of insurance brokerage services including business insurance, employee benefits, risk management and personal insurance services.

During February 2011, we completed a LMM portfolio investment in Principle Environmental, LLC ("Principle"). Our \$7.5 million investment in Principle represents a combination of debt and equity capital invested in the company in order to support the recapitalization of the company, as well as to provide additional financing for future growth. Principle primarily serves the oil and gas and transportation industries, and is the leading provider of noise abatement services in the Marcellus Shale oil and gas basin. The company is headquartered in Weatherford, Texas with additional facilities in Pennsylvania.

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**The Offering**

Common stock offered by us	3,500,000 shares
Common stock outstanding prior to this offering	18,922,566 shares
Common stock to be outstanding after this offering	22,422,566 shares
Over-allotment option	525,000 shares
Use of proceeds	

The net proceeds from this offering (without exercise of the over-allotment option and before deducting estimated expenses payable by us of approximately \$200,000) will be \$61,334,875. We intend to use the net proceeds from this offering to repay outstanding debt borrowed under our \$100 million credit facility. We intend to use any remaining net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations, and for general corporate purposes. Pending such uses, we currently intend to invest the net proceeds of this offering in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, consistent with our BDC election and our election to be taxed as a regulated investment company ("RIC"). See "Regulation Regulation as a Business Development Company" in the accompanying prospectus.

Dividends and distributions

Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders. In March 2011, we declared monthly dividends of \$0.13 per share for each of April, May and June 2011. These monthly dividends equate to a total of \$0.39 per share for the second quarter of 2011. Because the record date for the April 2011 dividend payment is on or after the date of this offering, investors who purchase shares of our common stock in this offering will be entitled to receive such dividend as their initial monthly dividend.

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Taxation	<p>MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Internal Revenue Code (the "Code"). Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any.</p> <p>Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such undistributed taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus and "Additional Material U.S. Federal Income Tax Considerations" in this prospectus supplement.</p>
Risk factors	<p>See "Supplemental Risk Factors" beginning on page S-10 of this prospectus supplement and "Risk Factors" beginning on page 13 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.</p>
New York Stock Exchange symbol	<p>"MAIN"</p>

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**FEES AND EXPENSES**

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

<b>Stockholder Transaction Expenses:</b>	
Sales load (as a percentage of offering price)	4.50%(1)
Offering expenses (as a percentage of offering price)	0.31%(2)
Dividend reinvestment plan expenses	(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>4.81%</b>
<b>Annual Expenses (as a percentage of net assets attributable to common stock):</b>	
Operating expenses	3.28%(4)
Interest payments on borrowed funds	3.90%(5)
<b>Total annual expenses</b>	<b>7.18%(6)</b>

- (1) Represents the underwriting discount with respect to the shares sold by us in this offering.
- (2) The offering expenses of this offering borne by us are estimated to be approximately \$200,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately 0.27%.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Operating expenses represent the estimated annual expenses of MSCC and its consolidated subsidiaries, including MSC II. There is a 12% minority ownership interest in MSC II not held by MSCC or its subsidiaries. The ratio of operating expenses to net assets, net of the expenses related to the minority interest in MSC II, would be 3.19%.
- (5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds.
- (6) The total annual expenses are the sum of operating expenses and interest payments on borrowed funds.

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 4.50% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 121.7	\$ 263.7	\$ 399.1	\$ 710.6

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

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**SUPPLEMENTAL RISK FACTORS**

*Investing in our common stock involves a number of significant risks. In addition to the other information contained in this prospectus supplement and the accompanying prospectus, you should consider carefully the following supplementary risk factors together with the risk factors beginning on page 13 of the accompanying prospectus before making an investment in our common stock. 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, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.*

**Risks Relating to Economic Conditions**

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

The broader economic fundamentals of the United States economy remain uncertain. Unemployment levels remain elevated and other economic fundamentals remain depressed. In the event that the United States economic performance 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, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. Consequently, we can provide no assurance that the performance of certain of our portfolio companies will not be negatively impacted by economic or other conditions, which could also have a negative impact on our future results.

Although we have been able to secure access to additional liquidity, including our \$100 million credit facility, periodic follow on equity offerings, and the increase in available leverage through the SBIC program as part of the American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the "Stimulus Bill"), the potential for volatility in the debt and in the equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

**Risks Relating to Our Business and Structure**

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

Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our common stock. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our common stockholders. We may also borrow from banks and other lenders, including under the \$100 million credit facility we entered into during 2010 and expanded during January 2011. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources" in this prospectus supplement for a discussion regarding our credit facility. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any

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decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends. Leverage is generally considered a speculative investment technique.

As of December 31, 2010, we, through the Funds, had \$180 million of outstanding indebtedness guaranteed by the SBA, which had a weighted average annualized interest cost of approximately 5.2% (exclusive of deferred financing costs). The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our stockholders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us. In addition, as of December 31, 2010, we had \$39 million outstanding under the Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us.

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

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

	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder	(22.2)%	(13.2)%	(4.2)%	4.8%	13.7%

(1) Assumes \$448.9 million in total assets, \$219.0 million in face amount of debt outstanding, \$250.0 million in net assets, and an average cost of funds of 4.8%. Actual interest payments may be different.

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

**Risks Related to Our Investments**

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

Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

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

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

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

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

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

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

***Our marketable securities and idle funds investments are subject to risks including risks similar to our portfolio investments.***

Marketable securities and idle funds investments can include, among other things, secured and unsecured debt investments, independently rated debt investments and diversified bond funds. Many of these investments in debt obligations are, or would be if rated, below investment grade quality. Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, similar to our portfolio investments in the lower middle market. (See "Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment" in this prospectus supplement.) Many of these marketable securities and idle funds investments are purchased through over the counter or other markets and are therefore liquid at the time of purchase but may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. See "Risk Factors Risks Related to Our Investments The lack of liquidity in our investments may adversely affect our business" in the accompanying prospectus for a description of risks related to holding illiquid investments. In addition, domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may materially affect the market price of our marketable securities and idle funds investments. Other risks that our portfolio investments are subject to are also applicable to these marketable securities and idle funds investments. See "Risk Factors Risks Related to Our Investments" in the accompanying prospectus and " Risks Related to Our Investments" in this prospectus supplement for risks affecting our portfolio investments.



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**USE OF PROCEEDS**

The net proceeds from the sale of the 3,500,000 shares of common stock in this offering are \$61,134,875, and \$70,335,106 if the underwriter's over-allotment option is exercised in full, after deducting the underwriting discount and estimated offering expenses of approximately \$200,000 payable by us.

We intend to use the net proceeds from this offering to repay outstanding debt borrowed under our \$100 million credit facility. We intend to use any remaining net proceeds from this offering to make investments in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations, and for general corporate purposes. Pending such uses, we currently intend to invest the net proceeds of this offering in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, consistent with our BDC election and our election to be taxed as a RIC. See "Regulation Regulation as a Business Development Company" in the accompanying prospectus.

At March 21, 2011, we had approximately \$65.0 million outstanding under our \$100 million credit facility. Our credit facility matures on September 20, 2013, unless extended, and bears interest, at our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Amounts repaid under our \$100 million credit facility will remain available for future borrowings.

Affiliates of Morgan Keegan & Company, Inc. and BB&T Capital Markets, each an underwriter in this offering, act as lenders and/or agents under our \$100 million credit facility. As described above, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this credit facility, and those affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. See "Underwriting Conflicts of Interest" below.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization:

on an actual basis as of December 31, 2010; and

on an as-adjusted basis giving effect to the sale of 3,500,000 shares of our common stock in this offering at the public offering price of \$18.35 per share, less estimated underwriting discounts and offering expenses payable by us.

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.

	<b>As of December 31, 2010</b>	
	<b>Actual</b>	<b>As-adjusted for this Offering (Unaudited)</b>
Cash and cash equivalents	\$ 22,334,340	\$ 22,334,340
Marketable securities and idle funds investments	68,752,858	90,887,733(1)
<b>Total cash and cash equivalents, marketable securities and idle funds investments</b>	<b>\$ 91,087,198</b>	<b>\$ 113,222,073</b>
SBIC debentures (par: \$180,000,000; of which \$70,557,975 is recorded at fair value)	\$ 155,557,975	\$ 155,557,975
Credit facility	39,000,000	
Net asset value:		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 18,797,444 and 22,297,444 issued and outstanding, actual and as adjusted for this offering, respectively)	187,975	222,975
Additional paid-in capital	224,485,165	285,585,040
Accumulated net investment income	9,261,405	9,261,405
Accumulated net realized gain (loss) from investments	(20,541,897)	(20,541,897)
Net unrealized appreciation from investments, net of income taxes	32,141,997	32,141,997
<b>Total net asset value</b>	<b>245,534,645</b>	<b>306,669,520</b>
<b>Total capitalization</b>	<b>\$ 440,092,620</b>	<b>\$ 462,227,495</b>

- (1) This table assumes that we will use any proceeds from this offering that are not used to repay outstanding indebtedness under our \$100 million credit facility to invest in marketable securities and idle funds investments until such time as we are able to invest such proceeds in lower middle market companies and privately placed debt securities.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "MAIN." Prior to October 14, 2010, our common stock was traded on the NASDAQ Global Select Market under the same symbol "MAIN." Our common stock began trading on the NASDAQ Global Select Market on October 5, 2007. Prior to that date, there was no established public trading market for our common stock.

The following table sets forth, for each fiscal quarter since our common stock began trading, the range of high and low closing prices of our common stock as reported on the NYSE and on the NASDAQ Global Select Market, as applicable, and the sales price as a percentage of our net asset value per share ("NAV").

	Price Range			Percentage of High Sales Price to NAV(2)	Percentage of Low Sales Price to NAV(2)
	NAV(1)	High	Low		
<b>Year ended December 31, 2011</b>					
First Quarter (to March 21, 2011)	*	\$ 19.71	\$ 17.86	*	*
<b>Year ended December 31, 2010</b>					
Fourth Quarter	\$ 13.06	\$ 18.19	\$ 16.01	139%	123%
Third Quarter	12.73	16.90	14.78	133	116
Second Quarter	12.21	16.90	13.71	138	112
First Quarter	11.95	16.14	13.95	135	117
<b>Year ended December 31, 2009</b>					
Fourth Quarter	\$ 11.96	\$ 16.35	\$ 13.29	137%	111%
Third Quarter	12.01	14.25	13.03	119	108
Second Quarter	11.80	14.74	9.66	125	82
First Quarter	11.84	10.43	9.07	88	77
<b>Year ended December 31, 2008</b>					
Fourth Quarter	\$ 12.20	\$ 11.95	\$ 8.82	98%	72%
Third Quarter	12.49	14.40	11.38	115	91
Second Quarter	13.02	14.40	10.90	111	84
First Quarter	12.87	14.10	12.75	110	99
<b>Year ended December 31, 2007</b>					
October 5, 2007 to December 31, 2007(3)	\$ 12.85	\$ 15.02	\$ 13.60	117%	106%

- (1) NAV is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the first quarter of 2011.
- (2) Calculated as the respective high or low share price divided by NAV listed for such period.
- (3) Our stock began trading on October 5, 2007.

On March 21, 2011, the last sale price of our common stock on the NYSE was \$19.08 per share, and there were approximately 214 holders of record of the common stock which did not include shareholders for whom shares are held in "nominee" or "street name."

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Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether the common stock offered hereby will trade at, above, or below net asset value. Since our IPO in October 2007, our shares of common stock have traded at prices both less than and exceeding our net asset value.

From our IPO through the third quarter of 2008, we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis.

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The following table summarizes our dividends declared to date:

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount(1)</b>
<b>Fiscal year 2011</b>			
March 9, 2011	March 24, 2011	April 15, 2011	\$ 0.130
March 9, 2011	April 21, 2011	May 16, 2011	\$ 0.130
March 9, 2011	May 20, 2011	June 15, 2011	\$ 0.130
December 9, 2010	February 22, 2011	March 15, 2011	\$ 0.125
December 9, 2010	January 20, 2011	February 15, 2011	\$ 0.125
December 9, 2010	January 6, 2011	January 14, 2011	\$ 0.125
Total			\$ 0.765
<b>Fiscal year 2010</b>			
September 8, 2010	November 19, 2010	December 15, 2010	\$ 0.125(2)
September 8, 2010	October 21, 2010	November 15, 2010	\$ 0.125(2)
September 8, 2010	September 23, 2010	October 15, 2010	\$ 0.125(2)
June 3, 2010	August 20, 2010	September 15, 2010	\$ 0.125(2)
June 3, 2010	July 21, 2010	August 16, 2010	\$ 0.125(2)
June 3, 2010	June 21, 2010	July 15, 2010	\$ 0.125(2)
March 9, 2010	May 20, 2010	June 15, 2010	\$ 0.125(2)
March 9, 2010	April 21, 2010	May 14, 2010	\$ 0.125(2)
March 9, 2010	March 25, 2010	April 15, 2010	\$ 0.125(2)
December 8, 2009	February 22, 2010	March 15, 2010	\$ 0.125(2)
December 8, 2009	January 21, 2010	February 16, 2010	\$ 0.125(2)
December 8, 2009	January 6, 2010	January 15, 2010	\$ 0.125(2)
Total			\$ 1.500
<b>Fiscal year 2009</b>			
September 3, 2009	November 20, 2009	December 15, 2009	\$ 0.125(3)
September 3, 2009	October 21, 2009	November 16, 2009	\$ 0.125(3)
September 3, 2009	September 21, 2009	October 15, 2009	\$ 0.125(3)
June 3, 2009	August 20, 2009	September 15, 2009	\$ 0.125(3)
June 3, 2009	July 21, 2009	August 14, 2009	\$ 0.125(3)
June 3, 2009	June 19, 2009	July 15, 2009	\$ 0.125(3)
March 4, 2009	May 21, 2009	June 15, 2009	\$ 0.125(3)
March 4, 2009	April 21, 2009	May 15, 2009	\$ 0.125(3)
March 4, 2009	March 20, 2009	April 15, 2009	\$ 0.125(3)
December 3, 2008	February 20, 2009	March 16, 2009	\$ 0.125(3)
December 3, 2008	January 22, 2009	February 16, 2009	\$ 0.125(3)
December 3, 2008	December 19, 2008	January 15, 2009	\$ 0.125(4)
Total			\$ 1.500
<b>Fiscal year 2008</b>			
Total			\$ 1.425(4)
<b>Fiscal year 2007</b>			
Total			\$ 0.330(5)
			\$ 5.520

Cumulative  
dividends declared  
or paid since the  
initial public  
offering

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- (1) The determination of the tax attributes of Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate on dividend income from

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domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.

- (2) These dividends attributable to fiscal year 2010 for tax purposes were comprised of ordinary income of \$1.22 per share, long term capital gain of \$0.27 per share, and qualified dividend income of \$0.01 per share.
- (3) These dividends attributable to fiscal year 2009 for tax purposes were comprised of ordinary income of \$1.22 per share and long term capital gain of \$0.16 per share.
- (4) These dividends attributable to fiscal year 2008 for tax purposes were comprised of ordinary income of \$0.95 per share and long term capital gain of \$0.60 per share and included dividends declared during fiscal year 2008 and the dividend declared and accrued as of December 31, 2008 but paid on January 15, 2009, pursuant to the Code.
- (5) This quarterly dividend attributable to fiscal year 2007 was comprised of ordinary income of \$0.105 per share and long term capital gain of \$0.225 per share.

To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. We will be subject to a 4% nondeductible federal excise tax on certain undistributed taxable income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement"). Dividends declared and paid by us in a year will generally differ from taxable income for that year, as such dividends may include the distribution of current year taxable income, less amounts carried over into the following year, and the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay the 4% excise tax described above. We may retain for investment some or all of our net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) and treat such amounts as deemed distributions to our stockholders. If we do this, our stockholders will be treated as if they had received actual distributions of the capital gains we retained and then reinvested the net after-tax proceeds in our common stock. In general, our stockholders also would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable shares of the tax we paid on the capital gains deemed distributed to them. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we may be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

Pursuant to a revenue procedure issued by the Internal Revenue Service, or the IRS, the IRS has indicated that it will treat distributions from certain publicly traded RICs (including business development companies) that are paid part in cash and part in stock as dividends that would satisfy the RIC's annual distribution requirements. In order to qualify for such treatment, the revenue procedure requires that at least 10% of the total distribution be paid in cash and that each stockholder have a right to elect to receive its entire distribution in cash. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a proportionate share of the cash to be distributed (although no stockholder electing to receive cash may receive less than 10% of such stockholder's distribution in cash). This revenue procedure applies to distributions declared on or before December 31, 2012, with respect to taxable years ended on or before December 31, 2011.

Where the IRS revenue procedure is not currently applicable, the IRS has also issued private letter rulings on cash and stock dividends paid by RICs and real estate investment trusts using a 20% cash standard (and, more recently, the 10% cash standard of the above-referenced IRS revenue procedure) if certain requirements are satisfied.

Table of Contents**SELECTED FINANCIAL DATA**

The selected financial data below reflects the combined operations of MSMF and MSMF GP for the years ended December 31, 2006 and the consolidated operations of Main Street and its subsidiaries for the years ended December 31, 2007, 2008, 2009, and 2010. The selected financial data at December 31, 2006, 2007, 2008, 2009, and 2010 and for the years ended December 31, 2006, 2007, 2008, 2009, and 2010, have been derived from combined/consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this prospectus.

	Years Ended December 31,				
	2006	2007	2008	2009	2010
(dollars in thousands)					
<b>Statement of operations data:</b>					
Investment income:					
Total interest, fee and dividend income	\$ 9,013	\$ 11,312	\$ 16,123	\$ 14,283	\$ 33,525
Interest from idle funds and other	749	1,163	1,172	1,719	2,983
<b>Total investment income</b>	<b>9,762</b>	<b>12,475</b>	<b>17,295</b>	<b>16,002</b>	<b>36,508</b>
Expenses:					
Interest	(2,717)	(3,246)	(3,778)	(3,791)	(9,058)
General and administrative	(198)	(512)	(1,684)	(1,351)	(1,437)
Expenses reimbursed to Investment Manager			(1,007)	(570)	(5,263)
Share-based compensation			(511)	(1,068)	(1,489)
Management fees to affiliate	(1,942)	(1,500)			
Professional costs related to initial public offering		(695)			
<b>Total expenses</b>	<b>(4,857)</b>	<b>(5,953)</b>	<b>(6,980)</b>	<b>(6,780)</b>	<b>(17,247)</b>
Net investment income	4,905	6,522	10,315	9,222	19,261
Total net realized gain (loss) from investments	2,430	4,692	1,398	(7,798)	(2,880)
Net realized income	7,335	11,214	11,713	1,424	16,381
Total net change in unrealized appreciation (depreciation) from investments	8,488	(5,406)	(3,961)	8,242	19,639
Income tax benefit (provision)		(3,263)	3,182	2,290	(941)
Bargain purchase gain					4,891
Net increase (decrease) in net assets resulting from operations	15,823	2,545	10,934	11,956	39,970
Noncontrolling interest					(1,226)
Net increase (decrease) in net assets resulting from operations attributable to common stock	\$ 15,823	\$ 2,545	\$ 10,934	\$ 11,956	\$ 38,744
Net investment income per share basic and diluted	N/A	\$ 0.76	\$ 1.13	\$ 0.92	\$ 1.16
Net realized income per share basic and diluted	N/A	\$ 1.31	\$ 1.29	\$ 0.14	\$ 0.99
Net increase (decrease) in net assets resulting from operations attributable to common stock per share basic and diluted	N/A	\$ 0.30	\$ 1.20	\$ 1.19	\$ 2.38
Weighted average shares outstanding basic and diluted	N/A	8,587,701	9,095,904	10,042,639	16,292,846

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	As of December 31,				
	2006	2007	2008	2009	2010
	(dollars in thousands)				
<b>Balance sheet data:</b>					
Assets:					
Total portfolio investments at fair value	\$ 73,711	\$ 105,650	\$ 127,007	\$ 156,740	\$ 348,811
Marketable securities and idle funds investments		24,063	4,390	3,253	68,753
Cash and cash equivalents	13,769	41,889	35,375	30,620	22,334
Deferred tax asset			1,121	2,716	1,958
Interest receivable and other assets	630	1,576	1,101	1,510	4,524
Deferred financing costs, net of accumulated amortization	1,333	1,670	1,635	1,611	2,544
<b>Total assets</b>	<b>\$ 89,443</b>	<b>\$ 174,848</b>	<b>\$ 170,629</b>	<b>\$ 196,450</b>	<b>\$ 448,924</b>
Liabilities and net assets:					
SBIC debentures	\$ 45,100	\$ 55,000	\$ 55,000	\$ 65,000	\$ 155,558
Credit facility					39,000
Deferred tax liability		3,026			
Interest payable	855	1,063	1,108	1,069	3,195
Dividend payable			726		
Accounts payable and other liabilities	216	610	1,439	721	1,188
<b>Total liabilities</b>	<b>46,171</b>	<b>59,699</b>	<b>58,273</b>	<b>66,790</b>	<b>198,941</b>
Total net asset value	43,272	115,149	112,356	129,660	245,535
Noncontrolling interest					4,448
<b>Total liabilities and net assets</b>	<b>\$ 89,443</b>	<b>\$ 174,848</b>	<b>\$ 170,629</b>	<b>\$ 196,450</b>	<b>\$ 448,924</b>
<b>Other data:</b>					
Weighted average effective yield on LMM debt investments(1)	15.0%	14.3%	14.0%	14.3%	14.5%
Number of LMM portfolio companies(2)	24	27	31	35	44
Expense ratios (as percentage of average net assets):					
Operating expenses(3)	5.5%	4.8%	2.8%	2.5%	4.0%
Interest expense	7.0%	5.7%	3.3%	3.1%	4.3%

(1) 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 debt investments on non-accrual status.

(2) Excludes the investment in affiliated Investment Manager, as discussed in the notes to the financial statements elsewhere in this prospectus supplement.

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



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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 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 "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" in the accompanying prospectus and "Supplemental Risk Factors" in this prospectus supplement.*

**ORGANIZATION**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J to the consolidated financial statements included in this prospectus supplement). As of December 31, 2010, an approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remained outstanding, including approximately 5% owned by affiliates of MSCC.

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

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

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**OVERVIEW**

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

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

In addition to our primary investment strategy of investing in LMM companies, we opportunistically pursue investments in privately placed debt securities. Our private placement investment portfolio primarily consists of direct or secondary private placements of interest bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. As of December 31, 2010, we had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio investments was approximately \$352 million. All of our privately placed portfolio investments were in the form of debt investments and 71% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010.

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

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companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

For the year ended December 31, 2010, we paid dividends on a monthly basis totaling \$1.50 per share, or \$23.9 million. We generated undistributed taxable income (or "spillover income") of approximately \$1.6 million, or \$0.09 per share, during 2010 that will be carried forward toward distributions paid in 2011. In December 2010, we declared monthly dividends for the first quarter of 2011 totaling \$0.375 per share. In March 2011, we declared monthly dividends for the second quarter of 2011 totaling \$0.39 per share. Including the dividends declared for the first and second quarters of 2011, we will have paid approximately \$5.52 per share in cumulative dividends since our October 2007 initial public offering.

At December 31, 2010, we had \$91.1 million in cash and cash equivalents, marketable securities, and idle funds investments. In August 2010, we completed a follow-on public stock offering in which we sold 3,220,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$15.00 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$45.8 million, after deducting underwriters' commissions and offering costs. In January 2010, we completed a follow-on public stock offering in which we sold 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$14.75 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$40.1 million, after deducting underwriters' commissions and offering costs.

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). For the year ended December 31, 2010, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including MSMF and MSC II. For the year ended 2009, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including MSMF. Portfolio investments, as used herein, refers to all of our portfolio investments in LMM companies, private placement portfolio investments, and the Investment Manager and excludes all "Marketable securities and idle funds investments." Private placement portfolio investments include investments made through direct or secondary purchases of interest-bearing debt securities in companies that are generally larger in size than the LMM companies included as part of our portfolio investments. "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. Our results of operations and cash flows for the years ended December 31, 2010, 2009, and 2008, and financial position as of December 31, 2010 and 2009, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including the reclassification of private placement portfolio investments which were formerly classified as "Marketable securities and idle funds investments" and are now classified as portfolio investments in the "Non-Control/Non-Affiliate investments" category due to our current intent to hold such investments until their maturity and the fact that their terms adhere more to our portfolio investment strategy.

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and the Audit and Accounting Guide for Investment Companies issued by the American Institute of Certified Public Accountants (the "AICPA Guide"), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio

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company is another investment company. An exception to this general principle in the AICPA Guide occurs if we own a controlled operating company that provides all or substantially all of its services directly to us, or to an investment company of ours. None of the investments made by us qualify for this exception. Therefore, our portfolio investments are carried on the balance sheet at fair value, as discussed further in Note B to our consolidated financial statements, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on our Statement of Operations until the investment is exited, resulting in any gain or loss on exit being recognized as a "Net Realized Gain (Loss) from Investments."

***Portfolio Investment Valuation***

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of December 31, 2010 and 2009, approximately 78% and 80%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including the investment in the Investment Manager). We are required to report our investments at fair value. We adopted the provisions of the Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

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

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

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

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

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

***Revenue Recognition***

***Interest and Dividend Income***

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

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*Fee Income*

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

*Payment-in-Kind ("PIK") Interest*

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

*Share-Based Compensation*

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

*Income Taxes*

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

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



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investments. This income tax expense, or benefit, is reflected in Main Street's Consolidated Statement of Operations.

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

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

**LMM PORTFOLIO COMPOSITION**

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

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

<b>Cost:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
First lien debt	70.6%	69.3%
Equity	17.7%	13.4%
Second lien debt	6.7%	10.7%
Equity warrants	5.0%	6.6%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
First lien debt	62.6%	57.4%
Equity	21.9%	19.5%
Equity warrants	9.0%	13.5%
Second lien debt	6.5%	9.6%
	100.0%	100.0%

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

<b>Cost:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Southwest	50.5%	50.1%
West	29.3%	28.6%
Midwest	7.2%	6.9%
Southeast	7.0%	9.0%
Northeast	6.0%	5.4%
	100.0%	100.0%

<b>Fair Value:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Southwest	51.8%	51.1%
West	28.4%	28.4%
Midwest	7.2%	6.3%
Southeast	6.4%	8.4%
Northeast	6.2%	5.8%
	100.0%	100.0%

Main Street's LMM portfolio investments are generally in companies conducting business in a variety of industries. Set forth below are tables showing the composition of Main Street's LMM portfolio investments by industry at cost and fair value as of December 31, 2010 and 2009:

<b>Cost:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Professional services	15.4%	12.7%
Equipment rental	8.4%	3.6%
Information services	7.8%	5.1%
Retail	7.4%	7.5%
Industrial equipment	7.2%	6.4%
Industrial services	7.2%	5.0%
Media/Marketing	6.6%	0.0%
Metal fabrication	6.3%	2.5%
Electronics manufacturing	5.2%	7.1%
Health care services	5.0%	4.7%
Precast concrete manufacturing	4.4%	9.7%
Restaurant	3.3%	5.6%
Custom wood products	3.0%	6.7%
Agricultural services	2.8%	6.6%
Consumer Products	2.6%	0.0%
Manufacturing	2.4%	4.1%
Governmental services	1.8%	2.0%
Transportation/Logistics	1.3%	6.1%
Health care products	1.2%	3.0%
Infrastructure products	0.7%	1.6%
	100.0%	100.0%

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<b>Fair Value:</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Professional services	14.3%	12.2%
Information services	8.5%	4.4%
Industrial services	7.8%	7.0%
Equipment rental	7.3%	2.3%
Health care services	7.1%	9.1%
Retail	6.6%	6.6%
Metal fabrication	6.5%	4.5%
Industrial equipment	6.3%	5.2%
Media/Marketing	5.9%	0.0%
Electronics manufacturing	5.0%	6.2%
Precast concrete manufacturing	4.9%	11.5%
Restaurant	3.7%	6.2%
Agricultural services	3.3%	7.9%
Custom wood products	3.0%	1.6%
Manufacturing	2.7%	3.9%
Consumer Products	2.3%	0.0%
Transportation/Logistics	1.8%	6.3%
Governmental services	1.8%	2.1%
Health care products	1.1%	2.9%
Infrastructure products	0.1%	0.1%
	100.0%	100.0%

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

**PORTFOLIO ASSET QUALITY**

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

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

Investment Rating	December 31, 2010		December 31, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(dollars in thousands)				
1	\$ 52,147	15.0%	\$ 14,509	10.3%
2	153,408	44.2%	59,116	42.0%
3	122,249	35.3%	57,578	40.9%
4	17,705	5.1%	9,000	6.4%
5	1,250	0.4%	500	0.4%
Totals	\$ 346,759	100.0%	\$ 140,703	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of December 31, 2010 and 2009 was approximately 2.3 and 2.4, respectively. As of December 31, 2010 and 2009, we had two and three investments, respectively, on non-accrual status comprising approximately 2.6% and 1.1%, respectively, of the total portfolio investments at fair value for each year then ended (excluding Main Street's investment in the Investment Manager).

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

### DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

#### *Comparison of years ended December 31, 2010 and December 31, 2009*

	Years Ended December 31,		Net Change	
	2010	2009	Amount	%
(dollars in millions)				
Total investment income	\$ 36.5	\$ 16.0	\$ 20.5	128%
Total expenses	(17.2)	(6.8)	(10.4)	154%
Net investment income	19.3	9.2	10.1	109%
Total net realized loss from investments	(2.9)	(7.8)	4.9	NM
Net realized income	16.4	1.4	15.0	1050%
Net change in unrealized appreciation	19.6	8.2	11.4	138%
Income tax benefit (provision)	(1.0)	2.3	(3.3)	-141%
Bargain purchase gain	4.9		4.9	NM
Noncontrolling interest	(1.2)		(1.2)	NM
Net increase in net assets resulting from operations attributable to common stock	\$ 38.7	\$ 11.9	\$ 26.8	224%

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	Years Ended December 31,		Net Change	
	2010	2009	Amount	%
	(dollars in millions)			
Net investment income	\$ 19.3	\$ 9.2	\$ 10.1	109%
Share-based compensation expense	1.4	1.1	0.3	39%
Distributable net investment income(a)	20.7	10.3	10.4	102%
Total net realized loss from investments	(2.9)	(7.8)	4.9	NM
Distributable net realized income(a)	\$ 17.8	\$ 2.5	\$ 15.3	617%
Distributable net investment income per share Basic and diluted(a)	\$ 1.25	\$ 1.02	\$ 0.23	22%
Distributable net realized income per share Basic and diluted(a)	\$ 1.08	\$ 0.25	\$ 0.83	332%

(a)

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

*Investment Income*

For the year ended December 31, 2010, total investment income was \$36.5 million, a \$20.5 million, or 128%, increase over the \$16.0 million of total investment income for the year ended December 31, 2009. This comparable period increase was principally attributable to (i) \$13.1 million of total investment income from portfolio investments held by MSC II, the fund acquired as part of the Exchange Offer, (ii) a \$6.7 million increase in interest income from higher average levels of both portfolio debt investments and interest-bearing marketable securities or idle funds investments, (iii) a \$0.5 million increase in non-recurring interest income in the fourth quarter of 2010 due to higher levels of prepayment activity from our portfolio debt investments, and (iv) a \$0.3 million increase in fee income due to higher levels of transaction activity, partially offset by a \$0.1 million decrease in dividend income principally due to a \$0.9 million special dividend from a portfolio company investment that was received in the third quarter of 2009.

*Expenses*

For the year ended December 31, 2010, total expenses increased by approximately \$10.4 million, or 154%, to \$17.2 million from \$6.8 million for the year ended December 31, 2009. This comparable period increase in expenses was principally attributable to (i) \$7.8 million in interest expense and other operating expenses related to MSC II subsequent to the Exchange Offer, (ii) higher share-based compensation expense of \$0.3 million related to non-cash amortization for restricted share grants, (iii) higher interest expense of \$0.7 million as a result of an additional \$20.0 million in SBIC

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Debentures issued through MSMF during 2010 and borrowings under our credit facility during the fourth quarter of 2010, and (iv) higher personnel costs and other operating expenses.

*Distributable Net Investment Income*

Distributable net investment income increased \$10.4 million to \$20.7 million, or \$1.25 per share, for 2010 compared with distributable net investment income of \$10.3 million, or \$1.02 per share, in 2009. The increase in distributable net investment income was primarily due to higher levels of total investment income partially offset by higher interest and other operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for 2010 reflects a greater number of average shares outstanding compared to 2009 due to the January and August 2010 follow-on stock offerings, as well as the shares issued to consummate the Exchange Offer.

*Net Investment Income*

Net investment income for the year ended December 31, 2010 was \$19.3 million, or a 109% increase, compared to net investment income of \$9.2 million during the year ended December 31, 2009. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher interest and other operating expenses as discussed above.

*Distributable Net Realized Income*

For the year ended December 31, 2010, the net realized loss from investments of \$2.9 million was primarily attributable to (i) \$4.0 million of realized loss on our debt and equity investment in Quest Design and Production, LLC in the first quarter of 2010 and (ii) \$1.9 million of realized loss on our debt and equity investment in Advantage Millwork Company, Inc. in the third quarter of 2010, partially offset by (i) \$2.3 million of realized gain during the second quarter of 2010 on the partial exits of equity investments in Laurus Healthcare, LP and Gulf Manufacturing, LLC and on the full exit of our equity investment in Pulse Systems, LLC and (ii) \$0.7 million of net realized gain related to private placement, marketable securities, and idle funds investments. The net realized loss of \$7.8 million during the 2009 year related to realized losses recognized on the exit of our investments in two portfolio companies, partially offset by net realized gain on the partial exit of our equity investments in one portfolio company and net realized gain attributable to marketable securities investments.

Distributable net realized income increased \$15.3 million to \$17.8 million, or \$1.08 per share, for 2010 compared with distributable net realized income of \$2.5 million, or \$0.25 per share, in 2009 due to the higher levels of distributable net investment income as well as the change in total net realized loss from investments.

*Net Realized Income*

The higher levels of net investment income for the year ended December 31, 2010, partially offset by the change in total net realized loss during that period, resulted in a \$15.0 million increase in net realized income compared with 2009.

*Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2010, the \$19.6 million net change in unrealized appreciation was principally attributable to (i) \$2.8 million in accounting reversals of net unrealized depreciation attributable to the net realized loss recognized during 2010 as discussed above, (ii) unrealized appreciation on 29 portfolio investments totaling \$18.3 million, offset by unrealized depreciation on 18 portfolio investments totaling \$8.8 million, (iii) \$6.9 million in unrealized appreciation attributable to our SBIC debentures, (iv) \$0.6 million in unrealized appreciation attributable to investments in marketable securities, and (v) \$0.3 million in unrealized depreciation attributable to our investment in

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the affiliated Investment Manager. The noncontrolling interest of \$1.2 million recognized during 2010 reflected the pro rata portion of MSC II net earnings attributable to the equity interests in MSC II not owned by Main Street. During the first quarter of 2010, we also recognized a \$4.9 million bargain purchase gain related to the consummation of the Exchange Offer. The bargain purchase gain recognized during the first quarter of 2010 is a non-recurring gain which was solely generated by the acquisition accounting related to the Exchange Offer. For the year ended December 31, 2010, we also recognized a net income tax provision of \$1.0 million principally related to deferred taxes on unrealized appreciation of equity investments held in our Taxable Subsidiaries.

As a result of these events, our net increase in net assets resulting from operations attributable to common stock during 2010 was \$38.7 million, or \$2.38 per share, compared with a net increase in net assets resulting from operations attributable to common stock of \$11.9 million, or \$1.19 per share, in 2009.

### *Comparison of years ended December 31, 2009 and December 31, 2008*

	Years Ended December 31,		Net Change	
	2009	2008	Amount	%
	(dollars in millions)			
Total investment income	\$ 16.0	\$ 17.3	\$ (1.3)	(7)%
Total expenses	(6.8)	(7.0)	0.2	(3)%
Net investment income	9.2	10.3	(1.1)	(11)%
Total net realized gain (loss) from investments	(7.8)	1.4	(9.2)	NM
Net realized income	1.4	11.7	(10.3)	(88)%
Net change in unrealized appreciation (depreciation) from investments	8.2	(4.0)	12.2	NM
Income tax benefit	2.3	3.2	(0.9)	(28)%
Net increase in net assets resulting from operations	\$ 11.9	\$ 10.9	\$ 1.0	9%

	Years Ended December 31,		Net Change	
	2009	2008	Amount	%
	(dollars in millions)			
Net investment income	\$ 9.2	\$ 10.3	\$ (1.1)	(11)%
Share-based compensation expense	1.1	0.5	0.6	109%
Distributable net investment income(a)	10.3	10.8	(0.5)	(5)%
Total net realized gain (loss) from investments	(7.8)	1.4	(9.2)	NM
Distributable net realized income(a)	\$ 2.5	\$ 12.2	\$ (9.7)	(80)%
Distributable net investment income per share Basic and diluted(a)	\$ 1.02	\$ 1.19	\$ (0.17)	(14)%
Distributable net realized income per share Basic and diluted(a)	\$ 0.25	\$ 1.34	\$ (1.09)	(81)%

(a) Distributable net investment income and distributable net realized income are net investment income and net realized income, respectively, as determined in accordance with U.S. generally accepted accounting principles, or GAAP, excluding the impact of share-based compensation expense which is non-cash in nature. Main Street believes presenting distributable net investment income and distributable net realized income, and





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

*Investment Income*

For the year ended December 31, 2009, total investment income was \$16.0 million, a \$1.3 million, or 7%, decrease over the \$17.3 million of total investment income for the year ended December 31, 2008. This comparable period decrease was principally attributable to (i) lower dividend income of \$1.4 million due to certain portfolio companies retaining their excess cash flow as additional cushion given reduced economic visibility and lower near-term earnings expectations and (ii) reduced levels of fee income of \$1.3 million due to lower new investment originations; partially offset by higher interest income of \$1.4 million from LMM and privately placed portfolio debt investments and from marketable securities and idle funds investments on higher average levels of such investments.

*Expenses*

For the year ended December 31, 2009, total expenses decreased by approximately \$0.2 million, or 3%, to \$6.8 million from \$7.0 million for the year ended December 31, 2008. The decrease in total expenses was primarily attributable to a \$0.8 million reduction in general, administrative and other overhead expenses. The reduction in general, administrative and overhead costs primarily related to (i) lower accrued compensation expense given lower investment income levels, (ii) consulting fees received by the affiliated Investment Manager during 2009 and (iii) reduced costs for certain legal and administrative activities based upon developing internal resources to perform such activities. The decrease in general, administrative and other overhead expenses was partially offset by a \$0.6 million increase in share-based compensation expense related to non-cash amortization for restricted share grants.

*Distributable Net Investment Income*

Distributable net investment income for the year ended December 31, 2009 was \$10.3 million, or a 5% decrease, compared to distributable net investment income of \$10.8 million during the year ended December 31, 2008. The decrease in distributable net investment income was primarily attributable to reduced levels of total investment income, partially offset by lower general, administrative and overhead expenses as discussed above.

*Net Investment Income*

Net investment income for the year ended December 31, 2009 was \$9.2 million, or an 11% decrease, compared to net investment income of \$10.3 million during the year ended December 31, 2008. The decrease in net investment income was principally attributable to the decrease in total investment income, partially offset by lower general, administrative and overhead expenses as discussed above.

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*Distributable Net Realized Income*

For the year ended December 31, 2009, distributable net realized income was \$2.5 million, or a \$9.7 million decrease compared to distributable net realized income of \$12.2 million for the year ended December 31, 2008. The decrease in distributable net realized income was primarily attributable to the level of net realized loss during 2009 and the decrease in distributable net investment income. The net realized loss of \$7.8 million during 2009 principally related to realized losses recognized on the exit of our investments in two portfolio companies, partially offset by realized gains related to the partial exit of our equity investments in one portfolio company and realized gains related to marketable securities investments. The net realized gain of \$1.4 million during 2008 principally related to realized gains recognized on equity investments in four portfolio companies, offset by realized losses on debt and equity investments in two portfolio companies.

*Net Realized Income*

The lower net investment income for the year ended December 31, 2009 coupled with the higher level of net realized loss during that period resulted in a \$10.3 million decrease in the net realized income for the year ended December 31, 2009 compared with 2008.

*Net Increase in Net Assets Resulting from Operations*

For the year ended December 31, 2009, we recorded a net change in unrealized appreciation in the amount of \$8.2 million, or a \$12.2 million increase, compared to the \$4.0 million net change in unrealized depreciation for the year ended December 31, 2008. The \$8.2 million net change in unrealized appreciation for the 2009 year was principally attributable to (i) \$8.3 million in accounting reversals of net unrealized depreciation attributable to the total net realized loss on the exit of the portfolio investments and marketable securities investments discussed above, (ii) unrealized appreciation on fourteen investments in portfolio companies totaling \$11.6 million, partially offset by unrealized depreciation on fifteen investments in portfolio companies totaling \$11.7 million, (iii) \$0.6 million in unrealized appreciation related to marketable securities investments and (iv) \$0.6 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. For the 2009 year, we also recognized a net income tax benefit of \$2.3 million principally related to deferred taxes on unrealized depreciation for certain portfolio investments held in our taxable subsidiary.

As a result of these events, our net increase in net assets resulting from operations during the year ended December 31, 2009 was \$11.9 million compared to a net increase in net assets resulting from operations of \$10.9 million for the year ended December 31, 2008.

*Liquidity and Capital Resources*

*Cash Flows*

For the year ended December 31, 2010, we experienced a net decrease in cash and cash equivalents in the amount of \$8.3 million. During that period, we generated \$16.6 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) the semi-annual interest payments made on our SBIC debentures, (ii) increases in interest receivable, (iii) accretion of unearned income, and (iv) non-cash interest and dividends. We used \$176.0 million in net cash from investing activities, principally including the funding of \$157.7 million for new portfolio company investments and the funding of \$100.6 million for marketable securities and idle funds investments, partially offset by (i) \$36.8 million of cash proceeds from the sale of marketable securities and idle funds investments, (ii) \$43.0 million in cash proceeds from the repayment of portfolio debt investments and from the exit of portfolio equity investments, and (iii) \$2.5 million in cash acquired as part of the Exchange Offer. During 2010, \$151.1 million in cash was provided by financing activities,

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which principally consisted of (i) \$85.9 million in net cash proceeds from public stock offerings in January 2010 and August 2010, (ii) \$45.0 million in cash proceeds from the issuance of SBIC debentures, and (iii) \$39 million in net cash proceeds from our credit facility, partially offset by \$16.3 million in cash dividends paid to stockholders and \$2.1 million in loan costs associated with our SBIC debentures and credit facility.

For the year ended December 31, 2009, we experienced a net decrease in cash and cash equivalents in the amount of \$4.8 million. During that period, we generated \$8.0 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) the semi-annual interest payments on our SBIC debentures, (ii) decreases in accounts payable, and (iii) non-cash interest and dividends. We used \$26.0 million in net cash from investing activities, principally including the funding of \$85.9 million for marketable securities and idle funds investments and the funding of \$24.7 million for new portfolio company investments, partially offset by \$73.5 million of cash proceeds from the sale of marketable securities and idle funds investments and \$11.1 million in cash proceeds from the repayment of portfolio debt investments. During 2009, \$13.2 million in cash was provided by financing activities, which principally consisted of \$16.2 million in net cash proceeds from a June 2009 public stock offering and \$9.6 million in net proceeds from the issuance of SBIC debentures, partially offset by \$11.2 million in cash dividends and \$1.6 million in purchases of shares of our common stock as part of our share repurchase program.

For the year ended December 31, 2008, we experienced a net decrease in cash and cash equivalents of \$6.5 million. During that period, we generated \$10.9 million of cash from our operating activities, primarily from distributable net investment income partially offset by the semi-annual interest payments on our SBIC debentures. We used \$3.5 million in net cash for investing activities, principally due to the funding of new investments and several smaller follow-on investments for a total of \$47.7 million. We also made a \$4.2 million investment in idle funds investments, and received proceeds from the maturity of a \$24.1 million investment in idle funds investments. We received \$16.3 million in cash proceeds from repayment of debt investments and \$8.0 million of cash proceeds from the redemption and sale of equity investments. For the year ended December 31, 2008, we used \$13.9 million in cash for financing activities, which principally consisted of \$13.2 million in cash dividends to stockholders, \$0.4 million in deferred loan origination costs and \$0.3 million used in the purchase of share of our common stock pursuant to our share repurchase program, which has since been terminated.

*Capital Resources*

As of December 31, 2010, we had \$91.1 million in cash and cash equivalents, marketable securities, and idle funds investments, and our net asset value totaled \$245.5 million, or \$13.06 per share. In September 2010, we entered into an \$85 million, three-year credit facility (the "Credit Facility") with a group of bank lenders, and in January 2011, we expanded the Credit Facility from \$85 million to \$100 million. The purpose of the Credit Facility is to provide additional liquidity in support of future investment and operational activities. The revisions to the Credit Facility provide several benefits to Main Street, including (i) an expansion of the total committed facility size to \$100 million compared with Main Street's prior \$30 million credit facility, (ii) increased advance rates applicable to Main Street's eligible investments, (iii) the addition of new lenders which further diversifies the Main Street lending group to a total of six participants, and (iv) an extension of the maturity date to September 20, 2013. The accordion feature of the Credit Facility allows us to seek up to \$150 million of total commitments from new or existing lenders on the same terms and conditions as the existing commitments. Borrowings under the Credit Facility bear interest, subject to Main Street's election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.50% or (ii) the applicable base rate plus 1.50%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of

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MSCC and its subsidiaries, excluding the assets of the Funds. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining an interest coverage ratio of at least 2.0 to 1.0, (ii) maintaining an asset coverage ratio of at least 2.5 to 1.0, and (iii) maintaining a minimum tangible net worth. At December 31, 2010, Main Street had \$39 million in borrowings outstanding under the Credit Facility. As of December 31, 2010, Main Street was in compliance with all financial covenants of the Credit Facility.

In August 2010, we completed a follow-on public stock offering in which we sold 3,220,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$15.00 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$45.8 million, after deducting underwriters' commissions and offering costs. In January 2010, we completed a follow-on public stock offering in which we sold 2,875,000 shares of common stock, including the underwriters' exercise of the over-allotment option, at a price to the public of \$14.75 per share (or approximately 123% of the then latest reported Net Asset Value per share), resulting in total net proceeds of approximately \$40.1 million, after deducting underwriters' commissions and offering costs.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximates the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On December 31, 2010, we, through the Funds, had \$180 million of outstanding indebtedness guaranteed by the SBA, which carried a weighted average fixed interest rate of approximately 5.2%. The first maturity related to the SBIC debentures does not occur until 2013, and the weighted average duration is 7.1 years as of December 31, 2010.

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

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

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

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outlook regarding future LMM and private placement portfolio investment needs, and any regulatory requirements applicable to Main Street.

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

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spillover certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received exemptive relief from the SEC that permits us to exclude SBA-guaranteed debt issued by our wholly owned SBIC subsidiary, MSMF, from our asset coverage ratio, which, in turn, enables us to fund more investments with debt capital. We expect to obtain similar relief from the SEC with respect to SBIC debt securities issued by MSC II, including the \$95 million of currently outstanding debt related to its participation in the SBIC program.

*Current Market Conditions*

Although we have been able to secure access to additional liquidity, including our expanded \$100 million Credit Facility, recent public stock offerings, and the increase in available leverage through the SBIC program as part of the Stimulus Bill, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

*Recently Issued Accounting Standards*

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

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 adds

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

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

***Inflation***

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

***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At December 31, 2010, we had five outstanding commitments to fund unused revolving loans for up to \$9.0 million in total.

***Contractual Obligations***

As of December 31, 2010, our future fixed commitments for cash payments on contractual obligations for each of the next five years and thereafter are as follows:

	Total	2011	2012	2013	2014	2015	2016 and thereafter
	(dollars in thousands)						
SBIC debentures	\$ 180,000	\$	\$	\$ 4,000	\$ 18,000	\$ 23,100	\$ 134,900
Interest due on SBIC debentures	66,147	9,313	9,429	9,403	9,097	8,011	20,894
<b>Total</b>	<b>\$ 246,147</b>	<b>\$ 9,313</b>	<b>\$ 9,429</b>	<b>\$ 13,403</b>	<b>\$ 27,097</b>	<b>\$ 31,111</b>	<b>\$ 155,794</b>

MSC II is obligated to make payments under an investment advisory agreement with the Investment Manager, MSCC's wholly owned subsidiary. The payments due under the investment advisory agreement were fixed for the first five years at \$3.3 million per year, paid quarterly, until September 30, 2010. Subsequent to September 30, 2010, under the investment advisory agreement, MSC II is obligated to pay a 2% annualized management fee based upon MSC II assets under management.

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MSCC is obligated to make payments under a support services agreement with the Investment Manager. The Investment Manager is reimbursed for its excess cash expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services. For the years ended December 31, 2010 and 2009, the expenses reimbursed by MSCC to the Investment Manager were \$2.2 million and \$0.6 million, respectively.

***Related Party Transactions***

As discussed further in Note D to the consolidated financial statements contained elsewhere in this prospectus supplement, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of MSCC. At December 31, 2010 and 2009, the Investment Manager had receivables of \$15,124 and \$217,422, respectively, due from MSCC related to net cash expenses incurred by the Investment Manager required to support Main Street's business.

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**BUSINESS**

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

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

We typically seek to work with entrepreneurs, business owners and management teams to provide customized financing for strategic acquisitions, business expansion and other growth initiatives, ownership transitions and recapitalizations. In structuring transactions, we seek to protect our rights, manage our risk and create value by: (i) providing financing at lower leverage ratios; (ii) generally taking first priority liens on assets; and (iii) providing significant equity incentives for management teams of our portfolio companies. We prefer negotiated transactions to widely conducted auctions because we believe widely conducted auction transactions often have higher execution risk and can result in potential conflicts among creditors and lower returns due to more aggressive valuation multiples and leverage ratios.

As of December 31, 2010, we had debt and equity investments in 44 LMM portfolio companies. Approximately 77% of our total LMM portfolio investments at cost, excluding our 100% equity interest investment in the Investment Manager, were in the form of debt investments and 91% of such debt investments at cost were secured by first priority liens on the assets of our LMM portfolio companies. As of December 31, 2010, we had a weighted average effective yield on our LMM debt investments of 14.5%. Weighted average yields are computed using the effective interest rates for all debt investments at December 31, 2010, including amortization of deferred debt origination fees and accretion of original issue discount. At December 31, 2010, we had equity ownership in approximately 91% of our LMM portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 33%.

In addition to our primary investment strategy of investing in LMM companies, we opportunistically pursue investments in privately placed debt securities. Our private placement investment portfolio primarily consists of direct or secondary private placements of interest bearing debt securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. As of December 31, 2010, we had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio investments was approximately \$352 million. All of our privately placed portfolio investments were in the form of debt investments and 71% of such debt investments at cost were secured by first priority



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liens on portfolio company assets. The weighted average effective yield on our privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010.

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

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

**Business Strategies**

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

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

*Focusing on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. Those companies generally possess better risk-adjusted return profiles than newer companies that are building their management teams or are in the early stages of building a revenue base. However, we also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.

*Leveraging 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. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies, and currently include eight certified public accountants and one chartered financial analyst. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should

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provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional or complex structures for our portfolio companies.

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

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

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

**Investment Criteria**

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

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

*Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance. We typically focus on LMM companies that have historically generated EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") of \$1 million to \$10 million and commensurate levels of free cash flow. We also opportunistically pursue investments in privately placed debt securities in companies that are generally larger in size than the LMM companies we target. We generally do not invest in start-up companies or companies with speculative business plans.

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

*Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or 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.

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**Portfolio Investments**

Main Street's portfolio investments, as used herein, refers to all of Main Street's LMM portfolio investments, privately placed portfolio investments, and our investment in the Investment Manager and excludes all "Marketable securities and idle funds investments." Main Street's LMM portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held LMM companies. Main Street's privately placed portfolio investments consist of debt investments in middle market businesses that are generally larger in size than the portfolio companies within the LMM portfolio.

*Debt Investments*

Historically, we have made LMM debt investments principally in the form of single tranche debt. Single tranche debt financing involves issuing one debt security that blends the risk and return profiles of both secured and subordinated debt. We believe that single tranche debt is more appropriate for many LMM companies given their size in order to reduce structural complexity and potential conflicts among creditors.

Our LMM debt investments generally have terms of three to seven years, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates generally between 12% and 14% per annum, payable currently in cash. In some instances, we have provided floating interest rates for a portion of a single tranche debt security. In addition, certain LMM debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this as payment-in-kind or PIK interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first priority lien on substantially all the assets of the portfolio company. As of December 31, 2010, 91% of our LMM debt investments at cost were secured by first priority liens on the assets of LMM portfolio companies.

In addition to seeking a senior lien position in the capital structure of our LMM portfolio companies, we seek to limit the downside potential of our LMM investments by negotiating covenants that are designed to protect our LMM investments while affording our portfolio companies as much flexibility in managing their businesses as is reasonable. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control or change of management provisions, key-man life insurance, guarantees, equity pledges, personal guaranties, where appropriate, and put rights. In addition, we typically seek board representation or observation rights in all of our LMM portfolio companies.

While we will continue to focus our LMM investments primarily on single tranche debt investments, we also anticipate structuring some of our debt investments as mezzanine loans. We anticipate that these mezzanine loans will be primarily junior secured or unsecured, subordinated loans that provide for relatively high fixed interest rates that will provide us with significant current interest income. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loan term. Typically, our mezzanine loans will have maturities of three to five years. We will generally target fixed interest rates of 12% to 14%, payable currently in cash for our mezzanine loan investments with higher targeted total returns from equity warrants, direct equity investments or PIK interest.

In addition to our LMM debt investment strategy, we opportunistically pursue investments in privately placed debt securities. This private placement investment portfolio primarily consists of direct or secondary private placements of interest-bearing securities in companies that are generally larger in size than the LMM companies included in our investment portfolio. As of December 31, 2010, all of

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our privately placed portfolio investments were in the form of debt investments and 71% of such debt investments at cost were secured by first priority liens on portfolio company assets.

***Warrants***

In connection with our LMM debt investments, we have historically received equity warrants to establish or increase our equity interest in the LMM portfolio company. Warrants we receive in connection with a LMM debt investment typically require only a nominal cost to exercise, and thus, as a LMM portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We typically structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as secured or unsecured put rights, or rights to sell such securities back to the LMM portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

***Direct Equity Investments***

We also will seek to make direct equity investments in situations where it is appropriate to align our interests with key management and stockholders, and to allow for some participation in the appreciation in the equity values of our LMM portfolio companies. We usually make our direct equity investments in connection with debt investments. In addition, we may have both equity warrants and direct equity positions in some of our LMM portfolio companies. We seek to maintain fully diluted equity positions in our LMM portfolio companies of 5% to 50%, and may have controlling equity interests in some instances. We have a value orientation toward our direct equity investments and have traditionally been able to purchase our equity investments at reasonable valuations.

**Investment Process**

Our investment committee is responsible for all aspects of our investment process. The current members of our investment committee are Vincent D. Foster, our Chairman and Chief Executive Officer, Todd A. Reppert, our President and Chief Financial Officer, and David Magdol, Senior Vice President. Mr. Magdol replaced Curtis Hartman, Senior Vice President, in this revolving seat on the investment committee effective January 1, 2011 and will serve throughout 2011. Our investment strategy involves a "team" approach, whereby potential transactions are screened by several members of our investment team before being presented to the investment committee. Our investment committee meets on an as needed basis depending on transaction volume. Our investment committee generally categorizes our investment process into seven distinct stages:

***Deal Generation/Origination***

Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, services providers such as lawyers, financial advisors, and accountants, as well as current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and middle market companies. We have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in this market.

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***Screening***

During the screening process, if a transaction initially meets our investment criteria, we will perform preliminary due diligence, taking into consideration some or all of the following information:

a comprehensive financial model based on quantitative analysis of historical financial performance, projections and pro forma adjustments to determine the estimated internal rate of return;

a brief industry and market analysis; importing direct industry expertise from other portfolio companies or investors;

preliminary qualitative analysis of the management team's competencies and backgrounds;

potential investment structures and pricing terms; and

regulatory compliance.

Upon successful screening of a proposed LMM transaction, the investment team makes a recommendation to our investment committee. If our investment committee concurs with moving forward on the proposed LMM transaction, we typically issue a non-binding term sheet to the company. For middle market companies, the initial term sheet is typically issued by the borrower.

***Term Sheet***

The non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process as well as a proposed timeline and our qualitative expectation for the transaction. While the term sheet is non-binding, for LMM investments, we typically receive an expense deposit in order to move the transaction to the due diligence phase. Upon execution of a term sheet we begin our formal due diligence process.

***Due Diligence***

Due diligence on a proposed investment is performed by a minimum of two members of our investment team, whom we refer to collectively as the investment team, and certain external resources, who together conduct due diligence to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Our due diligence review includes some or all of the following:

site visits with management and key personnel;

detailed review of historical and projected financial statements;

operational reviews and analysis;

interviews with customers and suppliers;

detailed evaluation of company management, including background checks;

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review of material contracts;

in-depth industry, market, and strategy analysis; and

review by legal, environmental or other consultants, if applicable.

During the due diligence process, significant attention is given to sensitivity analyses and how the company might be expected to perform given downside, "base-case" and upside scenarios. In certain cases, we may decide not to make an investment based on the results of the diligence process.

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***Document and Close***

Upon completion of a satisfactory due diligence review, the investment team presents the findings and a recommendation to our investment committee. The presentation contains information which can include, but is not limited to, the following:

company history and overview;

transaction overview, history and rationale, including an analysis of transaction strengths and risks;

analysis of key customers and suppliers and key contracts;

a working capital analysis;

an analysis of the company's business strategy;

a management and key equity investor background check and assessment;

third-party accounting, legal, environmental or other due diligence findings;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections; and

detailed reconciliations of historical to pro forma results.

If any adjustments to the transaction terms or structures are proposed by the investment committee, such changes are made and applicable analyses updated. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee. Upon receipt of transaction approval, we will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

***Post-Investment***

We continuously monitor the status and progress of the portfolio companies. We generally offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process of LMM portfolio investments, the investment team will analyze monthly

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and quarterly financial statements versus the previous periods and year, review financial projections, meet and discuss issues or opportunities with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our LMM portfolio companies, we maintain a higher level of involvement in non-ordinary course financing or strategic activities and any non-performing scenarios. We also monitor the performance of our private placement portfolio investments; however, due to the larger size and sophistication of these middle market companies, it is not necessary to have as much direct management interface.

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We use an internally developed investment rating system to characterize and monitor our expected level of returns on each of our investments.

*Investment Rating 1* represents a portfolio company that is performing in a manner which significantly exceeds expectations and projections;

*Investment Rating 2* represents a portfolio company that, in general, is performing above expectations;

*Investment Rating 3* represents a portfolio company that is generally performing in accordance with expectations;

*Investment Rating 4* represents a portfolio company that is underperforming expectations. Investments with such a rating require increased Main Street monitoring and scrutiny; and

*Investment Rating 5* represents a portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new portfolio investments receive an initial 3 rating.

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

Investment Rating	December 31, 2010		December 31, 2009	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
(dollars in thousands)				
1	\$ 52,147	15.0%	\$ 14,509	10.3%
2	153,408	44.2%	59,116	42.0%
3	122,249	35.3%	57,578	40.9%
4	17,705	5.1%	9,000	6.4%
5	1,250	0.4%	500	0.4%
Totals	\$ 346,759	100.0%	\$ 140,703	100.0%

Based upon our investment rating system, the weighted average rating of our portfolio as of December 31, 2010 and 2009 was approximately 2.3 and 2.4, respectively. As of December 31, 2010 and 2009, we had two and three investments, respectively, on non-accrual status comprising approximately 2.6% and 1.1%, respectively, of the total portfolio investments at fair value for each year then ended (excluding Main Street's investment in the Investment Manager).

### ***Exit Strategies/Refinancing***

While we generally exit most investments through the refinancing or repayment of our debt and redemption of our equity positions, we typically assist our LMM portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy. The refinancing or repayment of private placement debt investments typically does not require our assistance due to the additional resources available to these larger, middle market companies.

### **Determination of Net Asset Value and Portfolio Valuation Process**

We determine the net asset value per share of our common stock on a quarterly basis. The net asset value per share is equal to our total assets minus liabilities and any noncontrolling interests outstanding divided by the total number of shares of common stock outstanding.



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Our business plan calls for us to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by private, middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale and will generally have no established trading market. As a result, we determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820") and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. We review external events, including private mergers, sales and acquisitions involving comparable companies, and include these events in the valuation process. Our valuation policy is intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

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value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

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

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

As described below, we undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of the fair value of each individual investment.

Our quarterly valuation process will begin with each LMM portfolio company or investment being initially valued by the investment team responsible for the portfolio investment;

Preliminary valuation conclusions will then be reviewed and discussed with senior management;

An independent valuation firm engaged by the Board of Directors will perform certain mutually agreed limited procedures that we have identified and asked them to perform on a selection of our final LMM portfolio company valuation conclusions;

The fair value determination for our privately placed debt investments generally consists of observable inputs;

The Audit Committee of our Board of Directors will review the preliminary valuations, and the investment team will consider and assess, as appropriate, any changes that may be required to the preliminary valuation to address any comments provided by the Audit Committee; and

The Board of Directors will assess the valuations and will ultimately approve the fair value of each investment in our portfolio in good faith.

As part of the internal valuation process, in arriving at estimates of fair value for LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 34 portfolio companies, including 33 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2010, representing approximately 79% of the total LMM portfolio and affiliated Investment Manager investments at fair value as of December 31, 2010. Main Street consulted with its independent advisor relative to Main Street's determination of fair value on 8, 10, 8, and 8 portfolio investments for the quarters ended March 31, June 30, September 30,

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and December 31, 2010, respectively. The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's estimate of the fair value for the investments.

Determination of fair value involves subjective judgments and estimates. The notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

**Competition**

We compete for investments with a number of investment funds (including private equity funds, mezzanine funds, BDCs, and other SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of the entities that compete with us have greater financial and managerial resources. We believe we are able to be competitive with these entities primarily on the basis of our focus toward the underserved lower middle market, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

We believe that some of our competitors make senior secured loans, junior secured loans and subordinated debt investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete primarily on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors Risks Related to Our Business and Structure We may face increasing competition for investment opportunities" in the accompanying prospectus.

**Employees**

As of December 31, 2010, we had 18 employees, each of whom was employed by the Investment Manager. These employees include investment and portfolio management professionals, operations professionals and administrative staff. As necessary, we will hire additional investment professionals and administrative personnel. All of our employees are located in our Houston, Texas office.

**Properties**

We do not own any real estate or other physical properties materially important to our operations. Currently, we lease office space in Houston, Texas for our corporate headquarters.

**Legal Proceedings**

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

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Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors appoints our officers, who serve at the discretion of the Board of Directors. The responsibilities of the Board of Directors include, among other things, the oversight of our investment activities, the quarterly valuation of our assets, oversight of our financing arrangements and corporate governance activities. The Board of Directors has an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, and may establish additional committees from time to time as necessary.

**Board of Directors and Executive Officers**

Our Board of Directors consists of six members, four of whom are classified under applicable NYSE listing standards as "independent" directors and under Section 2(a)(19) of the 1940 Act as "non-interested" persons. Pursuant to our articles of incorporation, each member of our Board of Directors serves a one year term, with each current director serving until the 2011 annual meeting of stockholders and until his respective successor is duly qualified and elected. Our articles of incorporation give our Board of Directors sole authority to appoint directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

*Directors*

Information regarding our current Board of Directors is set forth below as of March 21, 2011. We have divided the directors into two groups independent directors and interested directors. Interested directors are "interested persons" of MSCC as defined in Section 2(a)(19) of the 1940 Act. The address for each director is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

*Independent Directors*

Name	Age	Director Since	Expiration of Term
Michael Appling Jr.	44	2007	2011
Joseph E. Canon	68	2007	2011
Arthur L. French	70	2007	2011
William D. Gutermuth	59	2007	2011

*Interested Directors*

Name	Age	Director Since	Expiration of Term
Vincent D. Foster	54	2007	2011
Todd A. Reppert	41	2007	2011

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#### *Executive Officers*

The following persons serve as our executive officers in the following capacities (ages as of March 21, 2011):

Name	Age	Position(s) Held with the Company
Vincent D. Foster	54	Chairman of the Board and Chief Executive Officer
Todd A. Reppert	41	Director, President and Chief Financial Officer
Rodger A. Stout	59	Senior Vice President Finance and Administration, Chief Compliance Officer and Treasurer
Dwayne L. Hyzak	38	Senior Vice President Finance and Managing Director
Curtis L. Hartman	38	Senior Vice President and Managing Director
David L. Magdol	40	Senior Vice President and Managing Director
Jason B. Beauvais	35	Vice President, General Counsel and Secretary
Michael S. Galvan	42	Vice President and Chief Accounting Officer

The address for each executive officer is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

#### **Biographical Information**

##### *Independent Directors*

*Michael Appling, Jr.* is the President and Chief Executive Officer of TNT Crane & Rigging Inc., a privately held full service crane and rigging operator. From July 2002 through August 2007, he was the Executive Vice President and Chief Financial Officer of XServ, Inc., a large private equity funded, international industrial services and rental company. Mr. Appling has also held the position of CEO and President for United Scaffolding, Inc., an XServ, Inc. operating subsidiary. In February 2007, XServ, Inc. was sold to The Brock Group, a private industrial services company headquartered in Texas. From March 2000 to June 2002, Mr. Appling served as the Chief Financial Officer of CheMatch.com, an online commodities trading forum. ChemConnect, Inc., a venture backed independent trading exchange, acquired CheMatch.com in January 2002. From June 1999 to March 2000, Mr. Appling was Vice President and Chief Financial Officer of American Eco Corporation, a publicly traded, international fabrication, construction and maintenance provider to the energy, pulp and paper and power industries. Mr. Appling worked for ITEQ, Inc., a publicly traded, international fabrication and services company, from September 1997 to May 1999, first as a Director of Corporate Development and then as Vice President, Finance and Accounting. From July 1991 to September 1997, Mr. Appling worked at Arthur Andersen LLP, where he practiced as a certified public accountant. We believe Mr. Appling is qualified to serve on our Board of Directors because of his extensive finance and accounting experience, as well as his executive leadership and management experience as a chief executive officer.

*Joseph E. Canon*, since 1982, has been the Executive Vice President and Executive Director, and a member of the Board of Directors, of Dodge Jones Foundation, a private charitable foundation located in Abilene, Texas. He has also been involved during this time as an executive officer and director of several private companies and partnerships with emphasis on energy, financial and other alternative investments. Prior to 1982, Mr. Canon was an Executive Vice President of the First National Bank of Abilene. From 1974 to 1976, he was the Vice President and Trust Officer with the First National Bank of Abilene. Mr. Canon currently serves on the Board of Directors of First Financial Bankshares, Inc. (NASDAQ-GM: FFIN), a \$3 billion bank and financial holding company headquartered in Abilene, Texas. Mr. Canon also serves on the Board of Directors for several bank and trust/asset management subsidiaries of First Financial Bankshares, Inc. He has also served as an executive officer and member of the Board of Directors of various other organizations including the Abilene Convention and Visitors

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Bureau, Abilene Chamber of Commerce, Conference of Southwest Foundations, City of Abilene Tax Increment District, West Central Texas Municipal Water District and the John G. and Marie Stella Kenedy Memorial Foundation. We believe Mr. Canon's qualifications to serve on our Board of Directors include his many years of managing and investing assets on behalf of public and private entities, his considerable experience in trust banking activities and practices, and his experience on other public boards of directors.

*Arthur L. French* has served in a variety of executive management and board of director roles over the course of his business career. He began his private investment activities in 2000 and served as a director of Fab Tech Industries, a steel fabricator, from November 2000 until August 2009, as a director of Houston Plating and Coatings Company, an industrial coatings company, from 2002 until 2007, as a director of Rawson LP, an industrial distribution and maintenance services company, from May 2003 until June 2009, and as non-executive chairman of Rawson Holdings, LLC from March 2009 until December 2010. From September 2003 through March 2007, Mr. French was a member of the Advisory Board of Main Street Capital Partners, LLC and a limited partner of Main Street Mezzanine Fund, LP (both of which are now subsidiaries of Main Street). Mr. French currently serves as an advisor to LKCM Capital Group ("LKCM Capital"), an investment company headquartered in Ft. Worth, Texas. Since January 2011, he has also served as chairman of LKCM Distribution Holdings, LP, a LKCM Capital portfolio company that provides strategy overview and direction for several industrial distribution organizations engaged in maintenance and technical services, engineering products distribution and light manufacturing. In addition, since April 2010, Mr. French has served as a director of Industrial Distribution Group, another LKCM Capital portfolio company that provides industrial components and store room management services for manufacturing companies. From 1996-1999, Mr. French was Chairman and Chief Executive Officer of Metals USA Inc. (NYSE), where he managed the process of founders acquisition, assembled the management team and took the company through a successful IPO in July 1997. From 1989-1996, he served as Executive Vice President and Director of Keystone International, Inc. (NYSE), a manufacturer of flow controls equipment. After serving as a helicopter pilot in the United States Army, Captain Corps of Engineers from 1963-1966, Mr. French began his career as a Sales Engineer for Fisher Controls International, Inc., in 1966. During his tenure with Fisher Controls, from 1966-1989, Mr. French held various titles, and ended his career at Fisher Controls as President, Chief Operating Officer and Director. We believe Mr. French is qualified to serve on our Board of Directors because of his executive management and leadership roles within numerous public and private companies and his experience in investing in private companies.

*William D. Gutermuth*, since 1986, has been a partner in the law firm of Bracewell & Giuliani LLP, specializing in the practice of corporate and securities law. From 1999 until 2005, Mr. Gutermuth was the Chair of Bracewell & Giuliani's Corporate and Securities Section. Mr. Gutermuth is a published author and frequent lecturer on topics relating to corporate governance and enterprise risk management. In addition, Mr. Gutermuth serves as a director of the Texas TriCities Chapter of the National Association of Corporate Directors. We believe Mr. Gutermuth's qualifications to serve on our Board of Directors include his extensive legal expertise, including counseling public and private entities on mergers and acquisitions and other complex transactions, specific experience with the 1940 Act regulatory framework and various corporate governance and other issues applicable to us.

***Interested Directors***

*Vincent D. Foster* has served as the Chairman of our Board of Directors, our Chief Executive Officer and as a member of our investment committee since 2007. Mr. Foster also currently serves as a founding director of Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries; Team, Inc. (NASDAQ: TISI), which provides specialty contracting services to the petrochemical, refining, electric power and other heavy industries; and Carriage Services, Inc. (NYSE: CSV), a death-care company. He also served as a



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director of U.S. Concrete, Inc. (NASDAQ-CM: USCR) from 1999 until 2010. In addition, Mr. Foster serves as a founding director of the Texas TriCities Chapter of the National Association of Corporate Directors. Following his graduation from Michigan State University, Mr. Foster, a C.P.A., had a 19-year career with Arthur Andersen, where he was a partner from 1988-1997. Mr. Foster was the director of Andersen's Corporate Finance and Mergers and Acquisitions practice for the Southwest United States and specialized in working with companies involved in consolidating their respective industries. From 1997, Mr. Foster co-founded and has acted as co-managing partner or chief executive of several Main Street predecessor funds and entities, which are now subsidiaries of ours. Mr. Foster received his J.D. from Wayne State University Law School and also attended the University of Houston Law Center. Mr. Foster received the Ernst & Young Entrepreneur of the Year 2008 Award in the financial services category in the Houston & Gulf Coast Area. The program honors entrepreneurs who have demonstrated exceptionalism in innovation, financial performance and personal commitment to their businesses and communities. We believe Mr. Foster is qualified to serve on our Board of Directors because of his intimate knowledge of our operations through his day-to-day leadership as Chief Executive Officer of Main Street, along with his comprehensive experience on other public Boards of Directors and his extensive experience in tax, accounting, mergers and acquisitions, corporate governance and finance.

*Todd A. Reppert* has served as our President and Chief Financial Officer and as a member of our investment committee since 2007. From 2000, Mr. Reppert co-founded and has acted as co-managing partner or in other executive roles of several Main Street predecessor funds and entities, which are now subsidiaries of ours. Prior to that, he was a principal of Sterling City Capital, LLC, a private investment group focused on small to middle market companies. Prior to joining Sterling City Capital in 1997, Mr. Reppert was with Arthur Andersen LLP. At Arthur Andersen LLP, he assisted in several industry consolidation initiatives, as well as numerous corporate finance and merger/acquisition initiatives. We believe Mr. Reppert's qualifications to serve on our Board of Directors include his extensive finance and accounting experience, his management and operational experience as the President of Main Street, and his considerable experience in corporate finance, mergers and acquisitions and investing in lower middle market companies.

***Non-Director Executive Officers***

*Rodger A. Stout* has served as our Chief Compliance Officer, Senior Vice President Finance and Administration and Treasurer since 2007. From 2006, Mr. Stout has served as the chief financial officer and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 2000 to 2006, Mr. Stout was senior vice president and chief financial officer for FabTech Industries, Inc., one of the largest domestic structural steel fabricating companies. From 1985 to 2000, he was a senior financial executive for Jerold B. Katz Interests. He held numerous positions over his 15-year tenure with this national scope financial services conglomerate. Those positions included director, executive vice president, senior financial officer and investment officer. Prior to 1985, Mr. Stout was an international tax executive in the oil and gas service industry.

*Dwayne L. Hyzak* has served as one of our Senior Vice Presidents since 2007 and was recently promoted to Senior Vice President Finance in 2011. Mr. Hyzak has also served as one of our Managing Directors since 2011. From 2002, Mr. Hyzak has served as a managing director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 2000 to 2002, Mr. Hyzak was a director of integration with Quanta Services, Inc. (NYSE: PWR), an electrical and telecommunications contracting company, where he was principally focused on the company's mergers and acquisitions and corporate finance activities. Prior to joining Quanta Services, Inc., he was a manager with Arthur Andersen LLP in its Transaction Advisory Services group.

*Curtis L. Hartman* has served as one of our Senior Vice Presidents since 2007 and has also served as one of our Managing Directors since 2011. From 2000, Mr. Hartman has served as a managing

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director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 1999 to 2000, Mr. Hartman was an investment adviser for Sterling City Capital, LLC. Concurrently with joining Sterling City Capital, he joined United Glass Corporation, a Sterling City Capital portfolio company, as director of corporate development. Prior to joining Sterling City Capital, Mr. Hartman was a manager with PricewaterhouseCoopers LLP, in its M&A/Transaction Services group. Prior to that, he was employed as a senior auditor by Deloitte & Touche LLP.

*David L. Magdol* has served as one of our Senior Vice Presidents since 2007 and has also served as one of our Managing Directors since 2011. Mr. Magdol is also currently a member of our Investment Committee. From 2002, Mr. Magdol has served as a managing director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 2000 to 2002, Mr. Magdol was a vice president in the Investment Banking Group of Lazard Freres & Co. LLC. From 1996 to 2000, Mr. Magdol served as a vice president of McMullen Group, a private equity investment firm capitalized by Dr. John J. McMullen. From 1993 to 1996, Mr. Magdol worked in the Structured Finance Services Group of Chemical Bank as a management associate.

*Jason B. Beauvais* has served as our Vice President, General Counsel and Secretary since 2008. From 2008, Mr. Beauvais has also served as general counsel and in other executive positions of several of our subsidiary funds and entities. From 2006 through 2008, he was an attorney with Occidental Petroleum Corporation, an international oil and gas exploration and production company. From 2002 to 2006, Mr. Beauvais was an attorney at Baker Botts L.L.P., where he primarily counseled companies in public issuances and private placements of debt and equity and handled a wide range of general corporate and securities matters as well as mergers and acquisitions.

*Michael S. Galvan* has served as our Vice President and Chief Accounting Officer since 2008. Prior to that, Mr. Galvan was senior manager of financial operations with Direct Energy, a retail gas and electricity service provider since October 2006. From September 2005 to October 2006, he was a senior audit manager with Malone & Bailey, PC, where he managed and coordinated audits of both publicly traded and private companies. From March 2003 to September 2005, Mr. Galvan was Director of Bankruptcy Coordination at Enron Corporation. Prior to March 2003, he served in other executive positions at various Enron affiliates.

## **CORPORATE GOVERNANCE**

We maintain a corporate governance section on our Web site which contains copies of the charters for the committees of our Board of Directors. The corporate governance section may be found at <http://mainstreetcapital.com> under "Governance" in the "Investor Relations" section of our Web site. The corporate governance section contains the following documents, which are available in print to any stockholder who requests a copy in writing to Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056:

Audit Committee Charter  
Nominating and Corporate Governance Committee Charter  
Compensation Committee Charter

In addition, our Code of Business Conduct and Ethics and our Corporate Governance and Stock Ownership Guidelines may be found at <http://mainstreetcapital.com> under "Governance" in the "Investor Relations" section of our Web site and are available in print to any stockholder who requests a copy in writing.

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**Director Independence**

Our Board of Directors consists of six members, four of whom are classified under applicable listing standards of the New York Stock Exchange as "independent" directors and under Section 2(a)(19) of the 1940 Act as not "interested persons." Based on these independence standards, our Board of Directors has affirmatively determined that the following directors are independent:

Michael Appling Jr.  
Joseph E. Canon  
Arthur L. French  
William D. Gutermuth

Our Board of Directors considered the following relationships in evaluating our directors' independence under the applicable listing standards of the New York Stock Exchange. Both Messrs. Canon and French had previously been limited partners in Main Street Mezzanine Fund, LP, and Mr. French had previously served on the Advisory Board of Main Street Capital Partners, LLC, one of our wholly owned subsidiaries and the investment adviser to Main Street Mezzanine Fund, LP and Main Street Capital II, LP, prior to our acquisition of these entities. Messrs. Canon and French are also limited partners in Main Street Capital II, LP, a Small Business Investment Company, or SBIC, fund licensed by the United States Small Business Administration, in which we acquired a majority limited partnership interest in January 2010. The Company did not acquire any limited partnership interests from Messrs. Canon and French in the transaction. Our Board of Directors determined that those prior relationships would not impact the ability of either Mr. Canon or Mr. French to exercise independent judgment and do not impair the independence of either of them.

**Communications with the Board**

Stockholders or other interested persons may send written communications to the members of our Board of Directors, addressed to Board of Directors, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056. All communications received in this manner will be delivered to one or more members of our Board of Directors.

**Board Leadership Structure**

Mr. Foster currently serves as both our Chief Executive Officer and as the Chairman of our Board of Directors. As our Chief Executive Officer, Mr. Foster is an "interested person" under Section 2(a)(19) of the 1940 Act. The Board believes that the Company's Chief Executive Officer is currently best situated to serve as Chairman because he is the director most familiar with the Company's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent directors and management have different perspectives and roles in strategy development. The Company's independent directors bring experience, oversight and expertise from outside the company and industry, while the Chief Executive Officer brings company-specific and industry-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board, which are essential to effective governance.

One of the key responsibilities of the Board is to oversee the development of strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with an independent Lead Director as described below, is in the best interest of our stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

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Our Board of Directors designated Arthur L. French as Lead Director to preside at all executive sessions of non-management directors. In the Lead Director's absence, the remaining non-management directors may appoint a presiding director by majority vote. The non-management directors meet in executive session without management on a regular basis. The Lead Director also has the responsibility of consulting with management on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman and Chief Executive Officer and facilitating collaboration and communication between the non-management directors and management. Stockholders or other interested persons may send written communications to Arthur L. French, addressed to Lead Director, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., Suite 800, Houston, Texas 77056.

**Board of Directors and its Committees**

*Board of Directors.* Our Board of Directors met eight times and acted by unanimous written consent six times during 2010. All directors attended 100% of the meetings of the Board of Directors and of the committees on which they served during 2010, and five directors attended the 2010 Annual Meeting of Stockholders in person. Our Board of Directors expects each director to make a diligent effort to attend all Board and committee meetings, as well as each Annual Meeting of Stockholders.

*Committees.* Our Board of Directors currently has, and appoints the members of, standing Audit, Compensation and Nominating and Corporate Governance Committees. Each of those committees is comprised entirely of independent directors and has a written charter approved by our Board of Directors. The current members of the committees are identified in the following table.

Director	Board Committees		
	Audit	Compensation	Nominating and Corporate Governance
Michael Appling Jr.	Chair		ý
Joseph E. Canon	ý	ý	Chair
Arthur L. French	ý	Chair	
William D. Gutermuth		ý	ý

*Audit Committee.* During the year ended December 31, 2010, the Audit Committee met five times. The Audit Committee is responsible for selecting, engaging and discharging our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants (as well as the compensation for those services), reviewing the independence of our independent accountants and reviewing the adequacy of our internal control over financial reporting. In addition, the Audit Committee is responsible for assisting our Board of Directors, in connection with its review and approval of the determination of the fair value of our debt and equity investments, and other financial investments, that are not publicly traded or for which current market values are not readily available. Our Board of Directors has determined that each of Messrs. Appling and Canon is an "Audit Committee financial expert" as defined by the Securities and Exchange Commission, or SEC, and an independent director. Mr. French is the other member of the Audit Committee. For more information on the backgrounds of these directors, see their biographical information under "Election of Directors" above.

*Compensation Committee.* During the year ended December 31, 2010, the Compensation Committee met six times and acted by unanimous written consent once. The Compensation Committee determines the compensation and related benefits for our executive officers including the amount of salary, bonus and stock-based compensation to be included in the compensation package for each of

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our executive officers. The actions of the Compensation Committee are generally reviewed and ratified by the entire Board of Directors, excluding the employee directors. The members of the Compensation Committee are Messrs. Canon, French and Gutermuth.

*Nominating and Corporate Governance Committee.* During the year ended December 31, 2010, the Nominating and Corporate Governance Committee met five times. The Nominating and Corporate Governance Committee is responsible for determining criteria for service on our Board of Directors, identifying, researching and recommending to the Board of Directors director nominees for election by our stockholders, selecting nominees to fill vacancies on our Board of Directors or a committee of the Board, developing and recommending to our Board of Directors any amendments to our corporate governance principles and overseeing the self-evaluation of our Board of Directors and its committees and evaluations of our management. The members of the Nominating and Corporate Governance Committee are Messrs. Appling, Canon and Gutermuth.

**Compensation Committee Interlocks and Insider Participation**

Each member of the Compensation Committee is independent for purposes of the applicable listing standards of the New York Stock Exchange. No member of the Compensation Committee (1) was, during the year ended December 31, 2010, or had previously been, an officer or employee of Main Street or any of its subsidiaries or (2) had any material interest in a transaction of Main Street or any of its subsidiaries or a business relationship with, or any indebtedness to, Main Street or any of its subsidiaries. No interlocking relationship existed during the year ended December 31, 2010 between any member of the Board of Directors or the Compensation Committee and an executive officer of Main Street.

**Director Nomination Process**

Our Nominating and Corporate Governance Committee has determined that a candidate for election to our Board of Directors must satisfy certain general criteria, including, among other things:

be an individual of the highest character and integrity and have an inquiring mind, vision, a willingness to ask hard questions and the ability to work professionally with others;

be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;

be willing and able to devote sufficient time to the affairs of our company and be diligent in fulfilling the responsibilities of a member of our Board of Directors and a member of any committee thereof (including: developing and maintaining sufficient knowledge of our company and the specialty finance industry in general; reviewing and analyzing reports and other information important to responsibilities of the Board of Directors and any committee of our Board of Directors; preparing for, attending and participating in meetings of our Board of Directors and meetings of any committee of our Board of Directors; and satisfying appropriate orientation and continuing education guidelines); and

have the capacity and desire to represent the balanced, best interests of our stockholders as a whole and not primarily a special interest group or constituency.

The Nominating and Corporate Governance Committee seeks to identify potential director candidates who will strengthen the Board of Directors and will contribute to the overall mix of general criteria identified above. In addition to the general criteria, the Nominating and Corporate Governance Committee considers specific criteria, such as particular skills, experiences (whether in business or in other areas such as public service, academia or scientific communities), areas of expertise, specific backgrounds, and other characteristics, that should be represented on the Board of Directors to enhance its effectiveness and the effectiveness of its committees. The Nominating and Corporate

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Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating and Corporate Governance Committee believe that it is essential that the Board members represent diverse viewpoints and a diverse mix of the specific criteria above. The process of identifying potential director candidates includes establishing procedures for soliciting and reviewing potential nominees from directors and for advising those who suggest nominees of the outcome of such review. The Nominating and Corporate Governance Committee also has the authority to retain and terminate any search firm used to identify director candidates.

Any stockholder may nominate one or more persons for election as one of our directors at an annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our by-laws and any other applicable law, rule or regulation regarding director nominations. When submitting a nomination to our company for consideration, a stockholder must provide certain information that would be required under applicable SEC rules, including the following minimum information for each director nominee: full name, age and address; number of any shares of our stock beneficially owned by the nominee, if any; the date such shares were acquired and the investment intent of such acquisition; whether such stockholder believes the nominee is an "interested person" of our company, as defined in 1940 Act; and all other information required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required, including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected. See "Stockholders' Proposals" in our proxy statement and our by-laws for other requirements of stockholder proposals.

The Nominating and Corporate Governance Committee will consider candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. The Nominating and Corporate Governance Committee also takes into account the contributions of incumbent directors as Board members and the benefits to us arising from their experience on our Board of Directors. Although the Nominating and Corporate Governance Committee will consider candidates identified by stockholders, the Nominating and Corporate Governance Committee may determine not to recommend those candidates to our Board of Directors, and our Board of Directors may determine not to nominate any candidates recommended by the Nominating and Corporate Governance Committee. None of the director nominees named in this prospectus were nominated by stockholders.

**Board's Role in the Oversight of Risk Management**

Our Board of Directors as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board Committees that report on their deliberations to the full Board. The oversight responsibility of the Board and its Committees is enabled by management reporting processes that are designed to provide visibility to the Board about the identification, assessment and management of critical risks and management's risk mitigation strategies. Areas of focus include competitive, economic, operational, financial (accounting, credit, liquidity and tax), legal, regulatory, compliance and other risks. The Board and its Committees oversee risks associated with

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their respective principal areas of focus, as summarized below. Committees meet in executive session with key management personnel regularly and with representatives of outside advisors as necessary.

<b>Board/Committee</b>	<b>Primary Areas of Risk Oversight</b>
Full Board	Strategic, financial and execution risks and exposures associated with the annual operating plan and five-year strategic plan; major litigation and regulatory exposures and other current matters that may present material risk to our operations, plans, prospects or reputation; material acquisitions and divestitures.
Audit Committee	Risks and exposures associated with financial matters, particularly investment valuation, financial reporting and disclosure, tax, accounting, oversight of independent accountants, internal control over financial reporting, financial policies and credit and liquidity matters.
Compensation Committee	Risks and exposures associated with leadership assessment, senior management succession planning, executive and director compensation programs and arrangements, including incentive plans, and compensation related regulatory compliance.
Nominating and Corporate Governance Committee	Risks and exposures relating to our programs and policies relating to legal compliance, corporate governance, and director nomination, evaluation and succession planning.

**COMPENSATION OF DIRECTORS**

The following table sets forth the compensation that we paid during the year ended December 31, 2010 to our directors. Directors who are also employees of Main Street or any of its subsidiaries do not receive compensation for their services as directors.

**Director Compensation Table**

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards(1)</b>	<b>All Other Compensation(2)</b>	<b>Total</b>
Arthur L. French	\$ 72,500	\$ 29,997	\$ 2,815	\$ 105,312
Michael Appling Jr.	57,500	29,997	2,815	90,312
Joseph E. Canon	47,500	29,997	2,815	80,312
William D. Gutermuth	42,500	29,997	2,815	75,312

(1)

Each of our non-employee directors received an award of 1,980 restricted shares under the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan on July 1, 2010, which will vest 100% on June 14, 2011, the day before the Annual Meeting, provided that the grantee has been in continuous service as a member of the Board of Directors through such date. These amounts represent the grant date fair value of the 2010 stock awards in accordance with FASB ASC Topic 718 based on the \$15.15 closing price of our common stock on July 1, 2010. Pursuant to SEC rules, the amounts shown exclude the impact of any estimated forfeitures related to service-based vesting conditions. These amounts may not correspond to the actual value that will be recognized by our directors upon vesting. Each non-employee director had 1,980 unvested shares of restricted stock outstanding as of December 31, 2010. Please see the discussion of the assumptions made in the valuation of these awards in Note M to the audited consolidated financial statements included in this prospectus supplement.

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(2)

These amounts reflect the dollar value of dividends paid on unvested restricted stock awards in 2010.

The compensation for non-employee directors for 2010 was comprised of cash compensation paid to or earned by directors in connection with their service as a director. That cash compensation consisted of an annual retainer of \$42,500, and an additional \$20,000 retainer for the Lead Director. Non-employee directors will not receive fees based on meetings attended absent circumstances that require an exceptionally high number of meetings within an annual period. We also reimburse our non-employee directors for all reasonable expenses incurred in connection with their service on our Board. The chairs of our Board committees receive additional annual retainers as follows:

the chair of the Audit Committee: \$15,000;

the chair of the Compensation Committee: \$10,000; and

the chair of the Nominating and Corporate Governance Committee: \$5,000.

Our 2008 Non-Employee Director Restricted Stock Plan provides a means through which we may attract and retain qualified non-employee directors to enter into and remain in service on our Board of Directors. Under our 2008 Non-Employee Director Restricted Stock Plan, at the beginning of each one-year term of service on our Board of Directors, each non-employee director will receive a number of shares equivalent to \$30,000 worth of shares based on the closing price of a share of our common stock on the New York Stock Exchange (or other exchange on which are shares are then listed) on the date of grant. Forfeiture provisions will lapse as to an entire award at the end of the one-year term.

**COMPENSATION DISCUSSION AND ANALYSIS**

*The following Compensation Discussion and Analysis, or CD&A, provides information relating to the 2010 compensation of Main Street's Chief Executive Officer, President and Chief Financial Officer and four other most highly compensated executive officers during 2010. Those six individuals are referred to in this CD&A as the Named Executive Officers, or NEOs.*

**Compensation Philosophy and Objectives**

The Main Street compensation system was developed by the Compensation Committee and approved by all independent directors. The system is designed to attract and retain key executives, motivate them to achieve the company's short-term and long-term objectives, reward them for superior performance and align their interests with those of the company's stockholders. The structure of Main Street's incentive compensation programs is formulated to encourage and reward the following, among other things:

achievement of income and capital gains to sustain and grow the company's dividend payments;

maintenance of liquidity and capital flexibility to accomplish the company's business objectives, including the preservation of investor capital;

superior risk-adjusted returns on the company's investment portfolio; and

management team and employee development.

The Compensation Committee has the primary authority to establish compensation for the NEOs and other key employees and administers all executive compensation arrangements and policies. Main Street's Chief Executive Officer assists the Committee by providing annual recommendations regarding the compensation of NEOs and other key employees, excluding himself. The Committee exercises its discretion by modifying or accepting these recommendations. The Chief Executive Officer routinely attends a portion of the Committee meetings. However, the Committee also meets in executive session





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without the Chief Executive Officer or other members of management present when discussing the Chief Executive Officer's compensation and other occasions as determined by the Committee.

The Compensation Committee takes into account competitive market practices with respect to the salaries and total direct compensation of the NEOs. Members of the Committee consider market practices by reviewing proxy statements or similar information made available by other internally managed business development companies, or BDCs, under the 1940 Act. The Committee also has the authority to utilize compensation consultants to better understand competitive pay practices and has retained such expertise in the past.

**Assessment of Market Data**

To assess the competitiveness of executive compensation levels, the Compensation Committee analyzes a comparative group of BDCs and reviews their competitive performance and compensation levels. This analysis focuses on key elements of compensation practices within the BDC industry in general and, more specifically, compensation practices at internally managed BDCs reasonably comparable in asset size, typical investment size and type, market capitalization and general business scope to the company. The peer group consists of the following companies: Hercules Technology Growth Capital, Inc., MCG Capital Corporation, Capital Southwest Corporation, Medallion Financial Corp. and Triangle Capital Corporation. In addition to analyzing other BDCs, the Committee also evaluates the compensation structure of the private equity industry and other asset management companies through public information such as proxy statements and third party compensation surveys.

Items taken into account include, but are not necessarily limited to, base compensation, bonus compensation, equity option awards, restricted stock awards, and other compensation as detailed in the respective proxies, research analysts' reports and other publicly available information. In addition to actual levels of compensation, the Compensation Committee also analyzes the approach other BDCs are taking with regard to their compensation practices. Such items include, but are not necessarily limited to, the use of employment agreements for certain employees, a mix of cash and equity compensation, the use of third party compensation consultants and certain corporate and executive performance measures established to achieve long-term total return for stockholders. Although none of the peer companies is precisely comparable in size, strategy, scope and operations to the company, the Committee believes that they are the most relevant comparable companies available with disclosed executive compensation data, and provide a good representation of competitive compensation levels for the company's executives.

**Assessment of Company Performance**

The Compensation Committee believes that sustainable financial performance coupled with reasonable, long-term stockholders' returns and proportional employee compensation are essential components for Main Street's long-term business success. Main Street typically makes three to seven year investments in lower middle-market companies. The company's business plan involves taking on investment risk over a range of time periods. Accordingly, much emphasis is focused on maintaining the stability of net asset values as well as the continuity of earnings to pass through to stockholders in the form of recurring dividends. Main Street's strategy is to generate current income from debt investments and to realize capital gains from equity-related investments. This income supports the payment of dividends to stockholders. The recurring payment of dividends requires a methodical investment acquisition approach and active monitoring and management of the investment portfolio over time. A meaningful part of the company's employee base is dedicated to the maintenance of asset values and expansion of this recurring income to sustain and grow dividends. The Committee believes that stability with regard to the management team is important in achieving successful implementation of the company's strategy. Further, the Committee, in establishing and assessing executive salary and

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performance incentives, is relatively more focused on Main Street results rather than the performance of other comparable companies or industry comparisons.

**Executive Compensation Components**

For 2010, the components of Main Street's direct compensation program for NEOs include:

base salary;

annual cash bonuses;

long-term compensation pursuant to the 2008 Equity Incentive Plan; and

other benefits.

The Compensation Committee designs each NEO's direct compensation package to appropriately reward the NEO for his contribution to the company. The judgment and experience of the Committee are weighed with individual and Company performance metrics and consultation with the Chief Executive Officer to determine the appropriate mix of compensation for each individual. Cash compensation consisting of base salary and discretionary bonuses tied to achievement of individual performance goals reviewed and approved by the Committee, as well as corporate objectives, is intended to motivate NEOs to remain with the company and work to achieve its business objectives. Stock-based compensation is awarded based on performance expectations reviewed and approved by the Committee for each NEO. The blend of short-term and long-term compensation may be adjusted from time to time to balance the Committee's views regarding the benefits of current cash compensation and appropriate retention incentives.

***Base Salary***

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of the NEOs in their roles. In connection with establishing the base salary of each NEO, the Compensation Committee and management consider a number of factors, including the seniority and experience level of the individual, the functional role of his position, the level of the individual's responsibility, the company's ability to replace the individual, the past base salary of the individual and the relative number of well-qualified candidates available in the area. In addition, the Committee considers publicly available information regarding the base salaries paid to similarly situated executive officers and other competitive market practices.

The salaries of the NEOs are reviewed on an annual basis, as well as at the time of promotion or any substantial change in responsibilities. The key factors in determining increases in salary level are relative performance and competitive pressures.

***Annual Cash Bonuses***

Annual cash bonuses are intended to reward individual performance during the year and can therefore be highly variable from year to year. Bonus opportunities for the NEOs are determined by the Compensation Committee on a discretionary basis and are based on performance criteria, including corporate and individual performance goals and measures, set by the Committee with the Chief Executive Officer's input. Should actual performance exceed expected performance criteria, the Committee may adjust individual cash bonuses to take such superior performance into account.

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***Long-Term Incentive Awards***

Main Street's Board and stockholders have approved the 2008 Equity Incentive Plan to provide stock-based awards as long-term incentive compensation to employees, including the NEOs. The company uses stock-based awards to (i) attract and retain key employees, (ii) motivate employees by means of performance-related incentives to achieve long-range performance goals, (iii) enable employees to participate in the company's long-term growth and (iv) link employees' compensation to the long-term interests of stockholders. At the time of each award, the Compensation Committee will determine the terms of the award, including any performance period (or periods) and any performance objectives relating to vesting of the award.

***Options.*** The Compensation Committee may grant equity options to purchase Main Street's common stock (including incentive stock options and nonqualified stock options). The Committee expects that any options granted by it will represent a fixed number of shares of common stock, will have an exercise price equal to the fair market value of common stock on the date of grant, and will be exercisable, or "vested," at some later time after grant. Some stock options may provide for vesting simply by the grantee remaining employed by Main Street for a period of time, and some may provide for vesting based on the grantee and/or the company attaining specified performance levels. To date, the Committee has not granted any stock options to any NEO.

***Restricted Stock.*** Main Street has received exemptive relief from the SEC that permits the company to grant restricted stock in exchange for or in recognition of services by its executive officers and employees. Pursuant to the 2008 Equity Incentive Plan, the Compensation Committee may award shares of restricted stock to plan participants in such amounts and on such terms as the Committee determines in its sole discretion, provided that such awards are consistent with the conditions set forth in the SEC's exemptive order. Each restricted stock grant will be for a fixed number of shares as set forth in an award agreement between the grantee and Main Street. Award agreements will set forth time and/or performance vesting schedules and other appropriate terms and/or restrictions with respect to awards, including rights to dividends and voting rights.

***Other Benefits***

Main Street's NEOs participate in the same benefit plans and programs as the company's other employees, including comprehensive medical insurance, comprehensive dental insurance, business travel accident insurance, short term disability coverage, long term disability insurance, and vision care.

Main Street maintains a 401(k) plan for all full-time employees who are at least 21 years of age through which the company makes non-discretionary matching contributions to each participant's plan account on the participant's behalf. For each participating employee, the company's contribution is generally a match of the employee's contributions up to a 4.5% contribution level with a maximum annual regular matching contribution of \$11,025 during 2010. All contributions to the plan, including those made by the Company, vest immediately. The Board of Directors may also, at its sole discretion, make additional contributions to employee 401(k) plan accounts, which would vest on the same basis as other employer contributions.

***Perquisites***

The company provides no other material benefits, perquisites or retirement benefits to the NEOs.

**Potential Payments Upon Change in Control**

Upon specified transactions involving a change in control (as defined in the 2008 Equity Incentive Plan), all outstanding awards under the 2008 Equity Incentive Plan may either be assumed or substituted for by the surviving entity. If the surviving entity does not assume or substitute similar

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awards, the awards held by the plan participants will be subject to accelerated vesting in full and, in the case of options, then terminated to the extent not exercised within a designated time period.

Transactions involving a "change in control" under the 2008 Equity Incentive Plan include:

a consolidation, merger, stock sale or similar transaction or series of related transactions in which Main Street is not the surviving corporation or which results in the acquisition of all or substantially all of the company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert;

a sale or transfer of all or substantially all of the company's assets;

Main Street's dissolution or liquidation; or

a change in the membership of the company's Board of Directors such that the individuals who, as of the effective date of the plan, constitute the Board of Directors, whom are referred to as the Continuing Directors, and any new director whose election or nomination by the Board of Directors was approved by a vote of at least a majority of the Continuing Directors, cease to constitute at least a majority of the Board.

The number of shares and value of restricted stock for the NEOs as of December 31, 2010 that would have vested under the acceleration scenarios described above is shown under the caption entitled "Compensation of Executive Officers Outstanding Equity Awards at Fiscal Year-End."

**Tax Deductibility of Compensation**

Section 162(m) of the Code generally disallows a deduction to public companies to the extent of excess annual compensation over \$1 million paid to certain executive officers, except for qualified performance-based compensation. Main Street's general policy, where consistent with business objectives, is to preserve the deductibility of executive officer compensation. The Compensation Committee may authorize forms of compensation that might not be deductible if the Committee deems such to be in the best interests of Main Street and its stockholders. The company had no nondeductible compensation paid to executive officers in 2010.

**Participation of Executives in Outside Public Directorships**

Our Board of Directors believes that there may be benefits to the company from our executive officers, including our NEOs, being involved in outside public company directorships. The business experience, knowledge and contacts gained by our executives in such capacities can be a valuable asset to the company. However, involvement in such outside public directorships can be time consuming and may take time away from the executives' responsibilities to the company. With this in mind, our Board of Directors implemented a policy starting in 2009 to permit executive officers to participate in outside public directorships with the prior approval of the independent members of our Board of Directors. The policy requires that 75% of the cash retainers for any such directorships be paid to the company. In 2010 this policy applied only to Mr. Foster since he was the only executive officer with any outside public directorships.

**2010 Compensation Determination**

The Compensation Committee analyzed the competitiveness of the components of compensation described above on both an individual and aggregate basis. The Committee believes that the total compensation paid to the NEOs for the fiscal year ended December 31, 2010, is consistent with the overall objectives of Main Street's executive compensation program.

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***Determination of Annual Base Salary***

The Compensation Committee annually reviews the base salary of each executive officer, including each NEO, and determines whether or not to increase it in its sole discretion. Increases to base salary can be awarded to recognize, among other things, relative performance, relative cost of living and competitive pressures.

In 2010, (i) Mr. Foster was paid an annual base salary of \$419,450, an increase of 18.52% over his 2009 annual base salary, (ii) Mr. Reppert was paid an annual base salary of \$324,716, an increase of 2.63% over his 2009 annual base salary, and (ii) Messrs. Stout, Hartman, Hyzak and Magdol were each paid an annual base salary of \$231,848, an increase of 3.86% over their 2009 annual base salaries. Mr. Foster's salary increase is attributable to his and the Company's performance and also to more closely align his compensation with chief executive officers of the Company's peer group of comparative companies. The Committee believes that these salary increases and resulting base salaries were competitive in the market place and appropriate for Main Street executives as a key component of an overall compensation package.

***Determination of Annual Cash Incentive Bonus***

Cash bonuses are determined annually by the Compensation Committee on a discretionary basis. The Committee considered performance achievements in the determination of cash bonuses for 2010, including company performance and the personal performance of each individual. The performance goals used for determining the cash bonuses for NEOs included, among other things, the following:

Maintaining appropriate dividend payouts to stockholders;

Maintaining liquidity and capital flexibility to accomplish the company's business objectives, including the preservation of investor capital;

Maintaining reasonable relative overall portfolio performance;

Maintaining the highest ethical standards, internal controls and adherence to regulatory requirements; and

Appropriate development of personnel.

The Company paid cash bonuses to NEOs for 2010 in recognition of the Company's performance, as well as each individual NEO's performance. The amount of cash bonuses paid to each NEO for 2010 is presented under the caption entitled "Compensation of Executive Officers Summary Compensation Table." The Committee believes that these cash bonus awards are individually appropriate based on 2010 performance. Such bonuses comprise a key component of the Company's overall compensation program.

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*Determination of Long-Term Incentive Awards*

The Company granted restricted shares to our NEOs for 2010 in recognition of corporate and individual NEO performance. In determining the amount of restricted stock to be awarded to each NEO, the Committee recognized that cash bonuses were not awarded to any NEO for 2009 because of problematic general economic conditions prevalent throughout 2009. Although corporate and individual NEO performance in 2009 was consistent with expectations and compared favorably to Main Street's peer company group as well as industry indexes, the Compensation Committee determined, based on management's recommendation, not to pay any cash bonuses to NEOs for 2009 because of the economic uncertainty, both present and future. Accordingly, as the business environment gradually improved throughout 2010, the Committee deemed it appropriate to grant larger restricted stock awards to NEOs in 2010. Such incremental awards effectively acknowledged the absence of cash bonuses for the previous year as well as the longer term benefits of granting restricted stock and the NEOs specific contributions to the long-term success of the Company. The amount of restricted shares granted to each NEO in 2010 is presented under the caption entitled "Compensation of Executive Officers Grants of Plan-Based Awards." All restricted stock grants to NEOs under the 2008 Equity Incentive Plan vest ratably over four years from the grant date.

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Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS**

The following table summarizes compensation of our Chief Executive Officer, our President and Chief Financial Officer and our four highest paid executive officers who did not serve as our Chief Executive Officer or Chief Financial Officer during 2010, all of whom we refer to as our NEOs, for the fiscal year ended December 31, 2010.

**Summary Compensation Table**

Name and Principal Position	Year	Salary(1)	Bonus(2)	Stock Awards(3)	All Other Compensation(4)	Total
Vincent D. Foster	2010	\$ 419,450	\$ 210,000	\$ 453,546	\$ 99,324	\$ 1,182,320
Chairman & Chief Executive Officer	2009	353,910		445,433	79,944	879,287
	2008	353,910		360,000	32,400	746,310
Todd A. Reppert	2010	\$ 324,716	\$ 160,000	\$ 399,536	\$ 77,722	\$ 961,974
President & Chief Financial Officer	2009	316,410		237,303	70,719	624,432
	2008	316,410	115,000	360,000	32,400	823,810
Rodger A. Stout	2010	\$ 231,848	\$ 115,000	\$ 251,096	\$ 64,129	\$ 662,073
Chief Compliance Officer, Senior Vice President Finance and Administration and Treasurer	2009	223,229		112,955	71,769	407,953
	2008	215,160	75,000	420,000	35,072	745,232
Dwayne L. Hyzak	2010	\$ 231,848	\$ 130,000	\$ 264,655	\$ 66,952	\$ 693,455
Senior Vice President Finance and Managing Director	2009	223,229		142,086	73,061	438,376
	2008	215,160	75,000	420,000	35,407	745,567
Curtis L. Hartman	2010	\$ 231,848	\$ 110,000	\$ 264,655	\$ 61,897	\$ 668,400
Senior Vice President and Managing Director	2009	223,229		112,955	68,488	404,672
	2008	215,160	75,000	390,000	33,570	713,730
David L. Magdol	2010	\$ 231,848	\$ 140,000	\$ 264,655	\$ 61,897	\$ 698,400
Senior Vice President and Managing Director	2009	223,229		112,955	68,488	404,672
	2008	215,160	75,000	390,000	33,570	713,730

(1) All executive compensation is paid by one of our wholly owned subsidiaries, Main Street Capital Partners, LLC.

(2) These amounts reflect annual cash bonuses earned by the NEOs and were determined based on individual and corporate performance goals adopted by the Compensation Committee. All annual cash bonuses are paid by one of our wholly owned subsidiaries, Main Street Capital Partners, LLC.

(3) These amounts represent the grant date fair value of stock awards in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the grant date. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. These amounts do not correspond to the actual value that will be recognized by our NEOs upon the vesting dates of such grants. Please see the discussion of the assumptions made in the valuation of these awards in Note M to the audited consolidated financial statements included in this prospectus supplement.



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(4)

"All Other Compensation" for 2010, 2009 and 2008 includes the following:

Name	Year	401(k) Employer Contributions(a)	Dollar Value of Dividends on Unvested Restricted Stock	Total
Vincent D. Foster	2010	\$ 11,025	\$ 88,299	\$ 99,324
	2009	20,825	59,119	79,944
	2008	10,350	22,050	32,400
Todd A. Reppert	2010	\$ 11,025	\$ 66,697	\$ 77,722
	2009	20,825	49,894	70,719
	2008	10,350	22,050	32,400
Rodger A. Stout	2010	\$ 10,443	\$ 53,686	\$ 64,129
	2009	20,825	50,944	71,769
	2008	9,347	25,725	35,072
Dwayne L. Hyzak	2010	\$ 9,995	\$ 56,957	\$ 66,952
	2009	20,825	52,236	73,061
	2008	9,682	25,725	35,407
Curtis L. Hartman	2010	\$ 9,995	\$ 51,902	\$ 61,897
	2009	20,825	47,663	68,488
	2008	9,682	23,888	33,570
David L. Magdol	2010	\$ 9,995	\$ 51,902	\$ 61,897
	2009	20,825	47,663	68,488
	2008	9,682	23,888	33,570

(a)

For 2009, these amounts reflect regular employer matching contributions of \$11,025 we made to our 401(k) Plan and an additional, board approved employer matching contribution of \$9,800 we made to our 401(k) Plan.

**Grants of Plan-Based Awards**

The following table sets forth information regarding restricted stock awards granted to our NEOs in fiscal 2010:

Name	Grant Date	Stock Awards; Number of Shares of Stock(a)	Grant Date Fair Value of Stock Awards
Vincent D. Foster	July 1, 2010	29,937	\$ 453,546
Todd A. Reppert	July 1, 2010	26,372	399,536
Rodger A. Stout	July 1, 2010	16,574	251,096
Dwayne L. Hyzak	July 1, 2010	17,469	264,655
Curtis L. Hartman	July 1, 2010	17,469	264,655
David L. Magdol	July 1, 2010	17,469	264,655

(a)

All restricted stock grants to NEOs under the 2008 Equity Incentive Plan vest ratably over four years from the grant date.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth the awards of restricted stock for which forfeiture provisions have not lapsed and remain outstanding at December 31, 2010:

Name	Stock Awards	
	Number of Shares of Stock that have not Vested(1)	Market Value of Shares of Stock that have not Vested(2)
Vincent D. Foster	68,631(3)	\$ 1,248,398
Todd A. Reppert	53,995(4)	982,169
Rodger A. Stout	40,083(5)	729,110
Dwayne L. Hyzak	42,527(6)	773,566
Curtis L. Hartman	39,728(7)	722,652
David L. Magdol	39,728(8)	722,652

- (1) No restricted stock awards have been transferred.
- (2) The market value of shares of stock that have not vested was determined based on the closing price of our common stock on the New York Stock Exchange on December 31, 2010, which was \$18.19.
- (3) 15,000 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 23,694 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 29,937 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.
- (4) 15,000 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 12,623 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 26,372 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.
- (5) 17,500 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 6,009 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 16,574 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.
- (6) 17,500 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 7,558 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 17,469 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.
- (7) 16,250 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 6,009 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 17,469 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.
- (8) 16,250 of the shares listed will vest ratably on July 1 of each year until July 1, 2012; 6,009 of the shares listed will vest ratably on July 1 of each year until July 1, 2013; and 17,469 of the shares listed will vest ratably on July 1 of each year until July 1, 2014, at

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which respective times such shares will be fully vested, subject to the NEO still being employed with us at such vesting dates.

**Equity Awards Vested in 2010 Fiscal Year**

The following table sets forth information regarding shares of restricted stock for which forfeiture restrictions lapsed during the fiscal year ended December 31, 2010:

Name	Stock Awards	
	Number of Shares Acquired on Vesting(1)	Value Realized on Vesting(2)
Vincent D. Foster	15,397	\$ 233,265
Todd A. Reppert	11,707	177,361
Rodger A. Stout	10,752	162,893
Dwayne L. Hyzak	11,269	170,725
Curtis L. Hartman	10,127	153,424
David L. Magdol	10,127	153,424

(1) Number of shares acquired upon vesting is before withholding of vesting shares by the Company to satisfy tax withholding obligations. Each of our NEOs elected to satisfy its tax withholding obligations by having the Company withhold a portion of its vesting shares.

(2) Value realized upon vesting is based on the closing price of our common stock on the vesting date, July 1, 2010, which was \$15.15.

**Risk Management and Compensation Policies and Practices**

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee has reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded:

compensation is allocated among base salary and short and long-term compensation opportunities in such a way as to not encourage excessive risk-taking;

significant weighting towards long-term incentive compensation discourages short-term risk taking;

goals are appropriately set to avoid targets that, if not achieved, result in a large percentage loss of compensation; and

multi-year vesting of our equity awards and share ownership guidelines properly account for the time horizon of risk.

Furthermore, as described in our Compensation Discussion and Analysis, compensation decisions include subjective considerations, which restrain the influence of formulae or objective factors on excessive risk taking.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We co-invested with MSC II in several existing portfolio investments prior to our IPO, but did not co-invest with MSC II subsequent to the IPO and prior to June 2008. In June 2008, we received exemptive relief from the SEC to allow us to resume co-investing with MSC II in accordance with the terms of such exemptive relief. The co-investments among us and MSC II have all been made at the same time and on the same terms and conditions. The co-investments were also made in accordance with Main Street Capital Partners, LLC's conflicts policy and in accordance with the applicable SBIC conflict of interest regulations. MSC II is managed by Main Street Capital Partners, LLC, and Main Street Capital Partners, LLC is wholly owned by us. MSC II is an SBIC fund with similar investment objectives to us and which began its investment operations in January 2006. In January 2010, we acquired (i) approximately 88% of the limited partnership interest in MSC II in exchange for shares of our common stock and (ii) 100% of the membership interest in MSC II's general partner for no consideration (the "Exchange Offer Transactions"). Each of our NEOs and two of our directors, Messrs. French and Canon, own limited partnership interests in MSC II, which were not acquired by us in the Exchange Offer Transactions.

In addition, during the year ended December 31, 2010, one of our wholly owned subsidiaries, Main Street Capital Partners, LLC, received \$3.1 million from MSC II for providing investment advisory services to MSC II. Messrs. Foster and Reppert controlled the general partner of MSC II prior to the Exchange Offer Transactions.

**CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

The following table sets forth information with respect to the beneficial ownership of our common stock by:

each person known to us to beneficially own more than five percent of the outstanding shares of our common stock;

each of our directors and executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no common stock subject to options that are currently exercisable or exercisable within 60 days of March 9, 2011. Percentage of beneficial ownership is based on 18,881,544 shares of common stock outstanding as of March 9, 2011.

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Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, and maintains an address c/o Main Street Capital Corporation. Our address is 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

Name	Shares Owned Beneficially	
	Number	Percentage
<b>Stockholder Owning 5% or greater of the Company's Outstanding Shares:</b>		
Don A. Sanders 600 Travis, Suite 5800 Houston, Texas 77002	953,575(1)	5.05%
<b>Independent Directors:</b>		
Michael Appling Jr.	26,739	*
Joseph E. Canon	18,529	*
Arthur L. French	22,161	*
William D. Gutermuth	17,603	*
<b>Interested Directors:</b>		
Vincent D. Foster	1,208,703(2)	6.40%
Todd A. Reppert	695,989(3)	3.69%
<b>Executive Officers:</b>		
Rodger A. Stout	102,858	*
Dwayne L. Hyzak	268,184	1.42%
Curtis L. Hartman	205,490(4)	1.09%
David L. Magdol	274,495	1.45%
Jason B. Beauvais	19,870	*
Michael S. Galvan	13,272	*
All Directors and Executive Officers as a Group (12 persons)	2,873,893	15.22%

\*  
Less than 1%

- (1) Includes 65,787 shares owned by Sanders Opportunity Fund, L.P. and 209,595 shares owned by Sanders Opportunity Fund (Institutional), L.P. for which Mr. Sanders serves as the Chief Investment Officer and exercises voting and dispositive power as manager of SOF Management, LLC, the general partner of such funds; thus, he may also be deemed to be the beneficial owner of these securities. Mr. Sanders disclaims any beneficial ownership of the reported securities owned by Sanders Opportunity Fund, L.P. and Sanders Opportunity Fund (Institutional), L.P. in excess of his pecuniary interest in such securities. Mr. Sanders is a registered representative of Sanders Morris Harris Inc., a registered broker dealer and investment adviser. SOF Management, LLC, the general partner of the two funds is wholly-owned by Sanders Morris Harris Inc. Also represents 626,974 shares held in client brokerage accounts over which Mr. Sanders has shared dispositive power and shares held by a trust for which Mr. Sanders serves as a co-trustee. Mr. Sanders disclaims beneficial ownership of all shares held in client brokerage accounts over which he has shared dispositive power. All information regarding this share ownership was obtained from the Schedule 13G/A filed by Mr. Sanders on February 1, 2011.
- (2) Includes 9,247 shares of common stock held by Foster Irrevocable Trust for the benefit of Mr. Foster's children. Although Mr. Foster is not the trustee, and accordingly does not have voting power or dispositive power over these shares, he may from time to time direct the trustee to vote and dispose of these shares. Also includes 2,688 shares and 2,630 shares held in custodial accounts for Mr. Foster's daughters, Amy Foster and Brittany Foster, respectively.

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- (3) Includes 160,243 shares of common stock held by Reppert Investments Limited Partnership which are beneficially owned by Mr. Reppert.
- (4) Includes 138,947 shares of common stock held in margin accounts or otherwise pledged.

The following table sets forth, as of March 9, 2011, the dollar range of our equity securities that is beneficially owned by each of our directors.

	<b>Dollar Range of Equity Securities Beneficially Owned(1)(2)(3)</b>
<b>Interested Directors:</b>	
Vincent D. Foster	over \$100,000
Todd A. Reppert	over \$100,000
<b>Independent Directors:</b>	
Michael Appling Jr.	over \$100,000
Joseph E. Canon	over \$100,000
Arthur L. French	over \$100,000
William D. Gutermuth	over \$100,000

- (1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.
- (2) The dollar range of equity securities beneficially owned by our directors is based on a stock price of \$19.23 per share as of March 9, 2011.
- (3) The dollar range of equity securities beneficially owned are: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, or over \$100,000.

**ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

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

**Sunset of Reduced Tax Rate Provisions**

Several of the tax considerations described under the heading "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus are subject to sunset provisions. These sunset provisions generally provide that for taxable years beginning after December 31, 2012, certain provisions in the Code that are currently applicable will revert back to earlier versions of such provisions. As a result, the federal income tax rates applicable to ordinary income, long-term capital gain and qualified dividend income for taxpayers taxed at individual rates will increase beginning January 1, 2013, absent congressional action. Consequently, prospective investors should consult their own tax advisors regarding the effect of the sunset provisions on an investment in our common stock.

**Certain Stock Distributions**

Certain distributions made by a publicly-traded RIC consisting of both cash and its stock will be treated as dividend distributions for purposes of satisfying the annual distribution requirements applicable to RICs. If we satisfy certain requirements, including the requirement that at least 10% of the total value of any such distribution consists of cash, the cash and our stock that we distribute will



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be treated as a dividend, to the extent of our earnings and profits. If we make such a distribution to our stockholders, each of our stockholders will be required to treat the total value of the distribution that each stockholder receives as a dividend, to the extent of each stockholder's pro-rata share of our earnings and profits, regardless of whether such stockholder receives cash, our stock or a combination of cash and our stock. This revenue procedure applies to distributions declared on or before December 31, 2012, with respect to taxable years ended on or before December 31, 2011.

**Special Exemption from Withholding**

With respect to certain distributions made to Non-U.S. stockholders in our taxable year ending December 31, 2011, no withholding is required and the distributions generally are not be subject to federal income tax if (i) the distributions are properly reported to our stockholders as "interest-related dividends" or "short-term capital gain dividends," (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. Currently, we do not anticipate that any significant amount of our distributions will be reported as eligible for this exemption from withholding. In addition, no assurance can be given that this exemption will be extended for taxable years beginning after December 31, 2011.

**Recently Enacted Tax Legislation**

Beginning with our 2011 taxable year, we will be subject to a 4% U.S. federal excise tax on certain undistributed income unless we distribute to our shareholders during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year and (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year. In addition, the minimum amounts that must be distributed in any year to avoid such excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year.

Recently enacted legislation that becomes effective after December 31, 2012, generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by United States persons (or held by foreign entities that have United States persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. When these provisions become effective, depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which they hold their shares of our common stock, Non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their shares of our common stock and proceeds from the sale of their shares of our common stock. Under certain circumstances, a Non-U.S. stockholder might be eligible for refunds or credits of such taxes.

For taxable years beginning after December 31, 2012, individuals with income in excess of \$200,000 (\$250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their "net investment income," which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses).

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



Table of Contents**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated March 22, 2011, the underwriters named below, for whom Morgan Keegan & Company, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

<b>Underwriter</b>	<b>Number of Shares</b>
Morgan Keegan & Company, Inc.	1,312,500
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	787,500
Robert W. Baird & Co. Incorporated	612,500
Janney Montgomery Scott LLC	437,500
Sanders Morris Harris Inc.	350,000

**Total** 3,500,000

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

Our common stock is listed on the New York Stock Exchange under the symbol "MAIN."

**Over-Allotment Option**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 525,000 additional shares of common stock at the public offering price set forth on the cover page hereof, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

**Lock-Up Agreements**

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 45 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

**Underwriting Discounts**

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of \$0.50 per share below the public offering price. After the initial

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public offering of the shares, the offering price and other selling terms may be changed by the underwriters.

The following table provides information regarding the per share and total underwriting discount that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to 525,000 additional shares from us.

	Per Share	Total without Exercise of Over-allotment	Total with Full Exercise of Over-allotment
Underwriting discount payable by us on shares sold to the public	\$ 0.82575	\$ 2,890,125	\$ 3,323,644

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

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

#### Price Stabilization, Short Positions and Penalty Bids

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

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

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

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

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

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**Conflicts of Interest**

Affiliates of Morgan Keegan & Company, Inc. and BB&T Capital Markets, underwriters in this offering, act as lenders and/or agents under our \$100 million credit facility. Certain of the net proceeds from the sale of our common stock, not including underwriting compensation, may be paid to affiliates of Morgan Keegan & Company, Inc. and BB&T Capital Markets in connection with the repayment of debt owed under our \$100 million credit facility. As a result, Morgan Keegan & Company, Inc. and BB&T Capital Markets and/or their affiliates may receive more than 5% of the net proceeds of this offering, not including underwriting compensation. In addition, an affiliate of Sanders Morris Harris Inc. beneficially owns 5.05% of our outstanding common stock. See "Control Persons and Principal Stockholders" in this prospectus supplement.

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

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

The addresses of the underwriters are: Morgan Keegan & Company, Inc., 50 N. Front St., 19th Floor, Memphis, Tennessee 38103; BB&T Capital Markets, 901 East Byrd Street, Suite 410, Richmond, Virginia 23219; Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; Janney Montgomery Scott LLC, 1801 Market Street, Philadelphia, Pennsylvania 19103; and Sanders Morris Harris Inc., 600 Travis, Suite 5800, Houston, Texas 77002.

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**LEGAL MATTERS**

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

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**AVAILABLE INFORMATION**

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

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

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**AUDITED FINANCIAL STATEMENTS**

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<u>Consolidated Statements of Operations for the Years Ended December 31, 2010, 2009, and 2008</u>	<u>S-84</u>
<u>Consolidated Statements of Changes in Net Assets for the Years Ended December 31, 2010, 2009, and 2008</u>	<u>S-85</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2010, 2009, and 2008</u>	<u>S-86</u>
<u>Consolidated Schedules of Investments as of December 31, 2010 and 2009</u>	<u>S-87</u>
<u>Notes to Consolidated Financial Statements</u>	<u>S-102</u>

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

We have audited the accompanying consolidated balance sheets of Main Street Capital Corporation (a Maryland corporation), including the consolidated schedule of investments, as of December 31, 2010 and 2009 and the related consolidated statements of operations, changes in net assets and cash flows and the consolidated financial highlights (see Note H) for each of the three years in the period ended December 31, 2010. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included verification by examination of securities held by the custodian as of December 31, 2010 and 2009, and confirmation of securities not held by the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of Main Street Capital Corporation as of December 31, 2010 and 2009 and the consolidated results of their operations, changes in net assets, cash flows and financial highlights for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Main Street Capital Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2011, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Houston, Texas  
March 11, 2011

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$161,009,443 and \$59,544,719 as of December 31, 2010 and 2009, respectively)	\$ 174,596,394	\$ 66,400,667
Affiliate investments (cost: \$65,650,789 and \$39,252,445 as of December 31, 2010 and 2009, respectively)	80,206,804	46,886,202
Non-Control/Non-Affiliate investments (cost: \$91,911,304 and \$27,482,826 as of December 31, 2010 and 2009, respectively)	91,956,221	27,416,287
Investment in affiliated Investment Manager (cost: \$4,284,042 and \$18,000,000 as of December 31, 2010 and 2009, respectively)	2,051,655	16,036,838
<b>Total portfolio investments (cost: \$322,855,578 and \$144,279,990 as of December 31, 2010 and 2009, respectively)</b>	<b>348,811,074</b>	<b>156,739,994</b>
Marketable securities and idle funds investments (cost: \$67,970,907 and \$3,252,954 as of December 31, 2010 and 2009, respectively)	68,752,858	3,252,954
<b>Total investments (cost: \$390,826,485 and \$147,532,944 as of December 31, 2010 and 2009, respectively)</b>	<b>417,563,932</b>	<b>159,992,948</b>
Cash and cash equivalents	22,334,340	30,619,998
Deferred tax asset	1,958,593	2,716,400
Interest receivable and other assets	4,523,792	1,509,608
Deferred financing costs (net of accumulated amortization of \$1,504,584 and \$1,071,676 as of December 31, 2010 and 2009, respectively)	2,543,645	1,611,508
<b>Total assets</b>	<b>\$ 448,924,302</b>	<b>\$ 196,450,462</b>
<b>LIABILITIES</b>		
SBIC debentures (par: \$180,000,000 and \$65,000,000 as of December 31, 2010 and 2009, respectively; of which \$70,557,975 is recorded at fair value as of December 31, 2010)	\$ 155,557,975	\$ 65,000,000
Credit facility	39,000,000	
Interest payable	3,194,870	1,069,148
Payable to affiliated Investment Manager	15,124	217,422
Accounts payable and other liabilities	1,173,295	503,761
<b>Total liabilities</b>	<b>198,941,264</b>	<b>66,790,331</b>
Commitments and contingencies		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 18,797,444 and 10,842,447 issued and outstanding as of December 31, 2010 and 2009, respectively)	187,975	108,425
Additional paid-in capital	224,485,165	123,534,156
Accumulated net investment income	9,261,405	7,269,866
Accumulated net realized gain (loss) from investments	(20,541,897)	(15,922,020)
Net unrealized appreciation, net of income taxes	32,141,997	14,669,704
<b>Total Net Asset Value</b>	<b>245,534,645</b>	<b>129,660,131</b>
Noncontrolling interest	4,448,393	
<b>Total net assets including noncontrolling interests</b>	<b>249,983,038</b>	<b>129,660,131</b>

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Total liabilities and net assets	\$ 448,924,302	\$ 196,450,462
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 13.06</b>	<b>\$ 11.96</b>

The accompanying notes are an integral part of these financial statements

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations**

	Years Ended December 31,		
	2010	2009	2008
<b>INVESTMENT INCOME:</b>			
Interest, fee and dividend income:			
Control investments	\$ 17,526,766	\$ 8,022,687	\$ 9,826,369
Affiliate investments	8,250,622	4,581,295	4,842,442
Non-Control/Non-Affiliate investments	7,747,739	1,678,962	1,454,718
Total interest, fee and dividend income	33,525,127	14,282,944	16,123,529
Interest from marketable securities, idle funds and other	2,982,780	1,719,303	1,171,897
Total investment income	36,507,907	16,002,247	17,295,426
<b>EXPENSES:</b>			
Interest	(9,058,386)	(3,790,702)	(3,777,919)
General and administrative	(1,437,027)	(1,351,451)	(1,684,084)
Expenses reimbursed to affiliated Investment Manager	(5,263,133)	(569,868)	(1,006,835)
Share-based compensation	(1,488,709)	(1,068,397)	(511,452)
Total expenses	(17,247,255)	(6,780,418)	(6,980,290)
<b>NET INVESTMENT INCOME</b>	<b>19,260,652</b>	<b>9,221,829</b>	<b>10,315,136</b>
<b>NET REALIZED GAIN (LOSS) FROM INVESTMENTS:</b>			
Control investments	(3,587,638)	(3,441,483)	188,214
Affiliate investments		(5,055,796)	1,209,280
Non-Control/Non-Affiliate investments	235	70,628	
Marketable securities and idle funds investments	707,740	629,103	
Total net realized gain (loss) from investments	(2,879,663)	(7,797,548)	1,397,494
<b>NET REALIZED INCOME</b>	<b>16,380,989</b>	<b>1,424,281</b>	<b>11,712,630</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>			
Portfolio investments	12,264,717	9,051,986	(3,182,809)
Marketable securities and idle funds investments	781,951	(171,091)	171,091
SBIC debentures	6,861,971		
Investment in affiliated Investment Manager	(269,225)	(638,788)	(949,374)
Total net change in unrealized appreciation (depreciation)	19,639,414	8,242,107	(3,961,092)
Income tax (provision) benefit	(940,634)	2,289,841	3,182,401
Bargain purchase gain	4,890,582		
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>39,970,351</b>	<b>11,956,229</b>	<b>10,933,939</b>
Noncontrolling interest	(1,226,487)		
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 38,743,864</b>	<b>\$ 11,956,229</b>	<b>\$ 10,933,939</b>
	\$ 1.16	\$ 0.92	\$ 1.13

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**NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED**

<b>NET REALIZED INCOME PER SHARE BASIC AND DILUTED</b>	\$	0.99	\$	0.14	\$	1.29
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<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCK PER SHARE BASIC AND DILUTED</b>	\$	2.38	\$	1.19	\$	1.20
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<b>DIVIDENDS PAID PER SHARE</b>	\$	1.50	\$	1.50	\$	1.43
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<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b>	16,292,846	10,042,639	9,095,904
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The accompanying notes are an integral part of these financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Changes in Net Assets

(Unaudited)

	Common Stock			Accumulated Net Investment Income	Accumulated Net Realized Gain (Loss) From Investments	Net Unrealized Appreciation, Net of Income Taxes	Total Net Asset Value	Noncontrolling Interest	Total Net Assets Including Noncontrolling Interest
	Number of Shares	Par Value	Additional Paid-In Capital						
<b>Balances at December 31, 2007</b>	8,959,718	\$ 89,597	\$ 104,076,033	\$ 6,067,131	\$	\$ 4,916,447	\$ 115,149,208	\$	\$ 115,149,208
Dividend reinvestment	15,820	158	213,571				213,729		213,729
Share repurchase program	(34,700)	(347)	(330,659)				(331,006)		(331,006)
Issuance of restricted stock, net of forfeitures	265,645	2,657	(2,657)						
Share-based compensation			511,452				511,452		511,452
Dividends to stockholders				(6,226,674)	(7,894,592)		(14,121,266)		(14,121,266)
Net increase resulting from operations				10,315,136	1,397,494	(778,691)	10,933,939		10,933,939
<b>Balances at December 31, 2008</b>	9,206,483	92,065	104,467,740	10,155,593	(6,497,098)	4,137,756	112,356,056		112,356,056
Public offering of common stock, net of offering costs	1,437,500	14,375	16,176,533				16,190,908		16,190,908
Share-based compensation			1,068,397				1,068,397		1,068,397
Dividend reinvestment	271,906	2,719	3,690,001				3,692,720		3,692,720
Share repurchase program	(164,544)	(1,645)	(1,615,461)				(1,617,106)		(1,617,106)
Issuance of restricted stock	107,505	1,075	(1,075)						
Purchase of vested stock for employee payroll tax withholding	(16,403)	(164)	(251,979)				(252,143)		(252,143)
Dividends to stockholders				(12,107,556)	(1,627,374)		(13,734,930)		(13,734,930)
Net increase resulting from operations				9,221,829	(7,797,548)	10,531,948	11,956,229		11,956,229
<b>Balances at December 31, 2009</b>	10,842,447	108,425	123,534,156	7,269,866	(15,922,020)	14,669,704	129,660,131		129,660,131
MSC II exchange offer and related transactions	1,246,803	12,468	20,080,623	4,890,582			24,983,673	3,237,210	28,220,883
Public offerings of common stock, net of offering costs	6,095,000	60,950	85,836,250				85,897,200		85,897,200
Share-based compensation			1,488,709				1,488,709		1,488,709
Dividend reinvestment	478,731	4,787	7,632,303				7,637,090		7,637,090
Issuance of restricted stock	157,277	1,573	(1,573)						
Purchase of vested stock for employee payroll tax withholding	(22,814)	(228)	(369,345)				(369,573)		(369,573)
Adjustment to investment in Investment Manager related to the			(13,715,958)				(13,715,958)		(13,715,958)

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MSC II Exchange Offer										
Distributions to noncontrolling interest								(15,304)		(15,304)
Dividends to stockholders	(22,159,695)		(1,740,214)				(23,899,909)			(23,899,909)
Net increase resulting from operations	19,260,652		(2,879,663)		18,698,780		35,079,769			35,079,769
Noncontrolling interest					(1,226,487)		(1,226,487)		1,226,487	
<b>Balances at</b>										
<b>December 31, 2010</b>	18,797,444	\$ 187,975	\$ 224,485,165	\$ 9,261,405	\$ (20,541,897)	\$ 32,141,997	\$ 245,534,645	\$ 4,448,393	\$ 249,983,038	

The accompanying notes are an integral part of these financial statements

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Cash Flows**

	Years Ended December 31,		
	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net increase in net assets resulting from operations:	\$ 39,970,351	\$ 11,956,229	\$ 10,933,939
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:			
Net change in unrealized (appreciation) depreciation	(19,639,414)	(8,242,107)	3,961,092
Net realized (gain) loss from investments	2,879,663	7,797,548	(1,397,494)
Bargain purchase gain	(4,890,582)		
Accretion of unearned income	(2,790,394)	(701,956)	(1,062,452)
Net payment-in-kind interest accrual	(2,589,029)	(655,762)	(216,505)
Share-based compensation expense	1,488,709	1,068,397	511,452
Amortization of deferred financing costs	470,012	414,545	426,084
Deferred taxes	674,980	(1,594,719)	(4,147,353)
Fees and other	2,068,179	(578,404)	612,143
Changes in other assets and liabilities:			
Interest receivable and other assets	(1,961,515)	(359,312)	115,533
Interest payable	782,624	(39,045)	45,521
Payable to affiliated Investment Manager	(202,298)	(85,212)	302,633
Accounts payable and other liabilities	343,024	(935,595)	828,098
Net cash provided by operating activities	16,604,310	8,044,607	10,912,691
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in portfolio companies	(157,689,915)	(24,741,598)	(47,698,567)
Cash acquired in MSC II exchange offer	2,489,920		
Investments in marketable securities and idle funds investments	(100,563,154)	(85,855,676)	(4,218,704)
Proceeds from marketable securities and idle funds investments	36,754,208	73,513,104	24,063,261
Principal payments received on loans and debt securities	39,815,482	11,121,773	16,300,750
Proceeds from sale of equity securities and related notes	3,175,283		8,029,339
Net cash provided by (used in) investing activities	(176,018,176)	(25,962,397)	(3,523,921)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share repurchase program		(1,617,106)	(331,006)
Proceeds from public offering of common stock, net of offering costs	85,897,200	16,190,908	
Distributions to noncontrolling interest	(15,304)		
Dividends paid to stockholders	(16,262,819)	(11,167,882)	(12,781,074)
Net change in DRIP deposit		400,000	(400,000)
Proceeds from issuance of SBIC debentures	45,000,000	10,000,000	
Proceeds from credit facility	75,650,000		
Repayments on credit facility	(36,650,000)		
Purchase of vested stock for employee payroll tax withholding	(369,573)	(252,143)	
Payment of deferred loan costs and SBIC debenture fees	(2,121,296)	(390,815)	(391,188)
Net cash provided by (used in) financing activities	151,128,208	13,162,962	(13,903,268)
Net increase (decrease) in cash and cash equivalents	(8,285,658)	(4,754,828)	(6,514,498)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	30,619,998	35,374,826	41,889,324

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 22,334,340	\$ 30,619,998	\$ 35,374,826
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The accompanying notes are an integral part of these financial statements

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Control Investments(3)</b>				
<b>Café Brazil, LLC</b>	Casual Restaurant Group	2,000,000	1,997,439	2,000,000
12% Secured Debt (Maturity April 20, 2013)			41,837	2,240,000
Member Units(7) (Fully diluted 41.0%)				
			2,039,276	4,240,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Billing and Records Management	7,303,000	6,937,251	6,985,748
12% Secured Debt (Maturity October 17, 2013)			1,193,333	3,380,333
Warrants (Fully diluted 20.4%)			1,176,667	1,390,000
Common Stock (Fully diluted 9.7%)				
			9,307,251	11,756,081
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Certification Training Videos	775,000	775,000	775,000
10% Secured Debt (Maturity March 31, 2012)		2,800,000	2,787,551	2,792,180
14% Secured Debt (Maturity December 31, 2013)			1,299,520	3,450,000
Member Units(7) (Fully diluted 40.8%)				
			4,862,071	7,017,180
<b>Ceres Management, LLC (Lambs)</b>	Aftermarket Automotive Services Chain	4,000,000	3,964,568	3,964,568
14% Secured Debt (Maturity May 31, 2013)		1,225,000	1,225,000	1,225,000
9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity August 31, 2014)			1,508,611	1,508,611
Class B Member Units (15% cumulative compounding quarterly) (Non-voting)			1,813,333	1,100,000
Member Units (Fully diluted 70%)				
Member Units(7) (Lamb's Real Estate Investment I, LLC) (Fully diluted 100%)			625,000	625,000
			9,136,512	8,423,179
<b>Condit Exhibits, LLC</b>	Tradeshaw Exhibits/ Custom Displays	4,660,948	4,619,659	4,619,659
9% current / 9% PIK Secured Debt (Maturity July 1, 2013)			320,000	50,000
Warrants (Fully diluted 47.9%)				
			4,939,659	4,669,659
<b>Currie Acquisitions, LLC</b>	Manufacturer of Electric Bicycles/Scooters	4,750,000	3,971,699	3,971,699
12% Secured Debt (Maturity March 1, 2015)			2,566,204	2,340,204
Warrants (Fully diluted 47.3%)				
			6,537,903	6,311,903
<b>Gulf Manufacturing, LLC</b>	Industrial Metal Fabrication	3,620,000	3,620,000	3,620,000
8% Secured Debt (Maturity August 31, 2014)		1,680,000	1,649,959	1,675,165
13% Secured Debt (Maturity August 31, 2012)		1,420,784	1,420,784	1,420,784
9% PIK Secured Debt (Maturity June 30, 2017)			2,979,813	5,870,000
Member Units(7) (Fully diluted 34.2%)				
			9,670,556	12,585,949
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators	6,000,000	5,255,101	5,255,101
12% Secured Debt (Maturity June 4, 2015)			717,640	717,640
Warrants (Fully diluted 35.2%)			1,000,000	1,000,000
Mandatorily Redeemable Preferred Stock				

6,972,741

6,972,741

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2) Control Investments(3)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/ Logistics			
Member Units(7) (Fully diluted 59.1%)			692,500	1,250,000
Member Units (Wallisville Real Estate, LLC)(7) (Fully diluted 59.1%)			1,214,784	1,214,784
			1,907,284	2,464,784
<b>Hydratec, Inc.</b>	Agricultural Services			
Common Stock (Fully diluted 92.5%)(7)			7,087,911	9,177,911
<b>Indianapolis Aviation Partners, LLC</b>	FBO / Aviation Support Services	4,500,000	4,140,255	4,350,000
12% Secured Debt (Maturity September 15, 2014)			1,129,286	1,570,286
Warrants (Fully diluted 30.1%)				
			5,269,541	5,920,286
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		2,260,000	2,256,486	2,260,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		2,344,897	2,340,040	2,344,896
Member Units(7) (Fully diluted 60.8%)			811,000	1,060,000
			5,407,526	5,664,896
<b>Mid-Columbia Lumber Products, LLC</b>	Specialized Lumber Products			
10% Secured Debt (Maturity April 1, 2012)		1,250,000	1,250,000	1,250,000
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,803,664	3,900,000
9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)		1,107,400	1,107,400	1,107,400
Warrants (Fully diluted 25.5%)			250,000	740,000
Member Units (Fully diluted 26.7%)			500,000	770,000
Member Units (Mid Columbia Real Estate, LLC) (Fully diluted 50.0%)			250,000	250,000
			7,161,064	8,017,400
<b>NAPCO Precast, LLC</b>	Precast Concrete Manufacturing			
18% Secured Debt (Maturity February 1, 2013)		5,923,077	5,860,313	5,923,077
Prime Plus 2% Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,368,600	3,384,615
Member Units(7) (Fully diluted 35.3%)			2,020,000	4,340,000
			11,248,913	13,647,692
<b>NTS Holdings, Inc.</b>	Trench & Traffic Safety Equipment			
12% Secured Debt (Maturity April 30, 2015)		6,000,000	5,963,931	5,963,931
Preferred stock (12% cumulative, compounded quarterly)			10,635,273	10,635,273
Common Stock (Fully diluted 72.3%)			1,621,255	776,000
			18,220,459	17,375,204
<b>OMi Holdings, Inc.</b>	Manufacturer of Overhead Cranes			
12% Secured Debt (Maturity April 1, 2013)		10,170,000	10,116,824	10,116,824
Common Stock (Fully diluted 48.0%)			1,080,000	500,000
			11,196,824	10,616,824

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Control Investments(3)</b>				
<b>PPL RVs, Inc.</b>	RV Aftermarket			
18% Secured Debt (Maturity June 10, 2015)	Consignment/Parts	6,250,000	6,165,058	6,165,058
Common Stock (Fully diluted 50.1%)			2,150,000	2,150,000
			8,315,058	8,315,058
<b>The MPI Group, LLC</b>	Manufacturer of Custom			
4.5% current / 4.5% PIK Secured Debt (Maturity October 2, 2013)	Hollow Metal Doors, Frames and Accessories	507,625	501,176	501,176
6% current / 6% PIK Secured Debt (Maturity October 2, 2013)		5,101,667	4,935,760	4,935,760
Warrants (Fully diluted 47.1%)			895,943	190,000
			6,332,879	5,626,936
<b>Thermal &amp; Mechanical Equipment, LLC</b>	Heat Exchange / Filtration			
Prime plus 2% Secured Debt (Maturity September 25, 2014)(8)	Products and Services	1,750,000	1,739,152	1,739,152
13% current / 5% PIK Secured Debt (Maturity September 25, 2014)		5,575,220	5,501,111	5,575,220
Warrants (Fully diluted 50.0%)			1,000,000	1,940,000
			8,240,263	9,254,372
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply			
Member Units (Fully diluted 42.8%)(7)			1,113,243	1,560,000
<b>Vision Interests, Inc.</b>	Manufacturer/Installer of			
2.6% current / 10.4% PIK Secured Debt (Maturity June 5, 2012)	Commercial Signage	9,400,000	8,424,811	8,022,651
2.6% current / 10.4% PIK Secured Debt (Maturity June 5, 2016)		760,000	739,663	739,663
Warrants (Fully diluted 38.2%)			160,010	
Common Stock (Fully diluted 22.3%)			372,000	
			9,696,484	8,762,314
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(8)		1,000,000	993,937	993,937
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		4,801,810	4,752,088	4,752,088
Warrants (Fully diluted 46.6%)			600,000	470,000
			6,346,025	6,216,025
<b>Subtotal Control Investments</b>			161,009,443	174,596,394

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Affiliate Investments(4)</b>				
<b>American Sensor Technologies, Inc.</b>	Manufacturer of Commercial/Industrial Sensors			
9% current / 2% PIK Secured Debt (Maturity May 31, 2012)		3,536,182	3,514,113	3,514,113
Warrants (Fully diluted 19.6%)			49,990	1,830,000
			3,564,103	5,344,113
<b>Audio Messaging Solutions, LLC</b>	Audio Messaging Services			
12% Secured Debt (Maturity May 8, 2014)		7,700,000	7,356,395	7,426,299
Warrants (Fully diluted 8.4%)			468,373	1,280,000
			7,824,768	8,706,299
<b>Compact Power Equipment Centers, LLC</b>	Light to Medium Duty Equipment Rental			
6% Current / 6% PIK Secured Debt (Maturity September 23, 2014)		3,153,971	3,120,950	3,120,950
Member Units (Fully diluted 11.5%)			1,147	1,147
			3,122,097	3,122,097
<b>DrillingInfo, Inc.</b>	Information Services for the Oil and Gas Industry			
12% Secured Debt (Maturity November 20, 2014)		8,000,000	6,832,370	7,770,000
Warrants (Fully diluted 5.0%)			1,250,000	4,010,000
Common Stock (Fully diluted 2.1%)			1,085,325	1,710,325
			9,167,695	13,490,325
<b>East Teak Fine Hardwoods, Inc.</b>	Hardwood Products			
Common Stock (Fully diluted 5.0%)			480,318	330,000
<b>Houston Plating &amp; Coatings, LLC</b>	Plating & Industrial Coating Services			
Prime plus 2% Debt (Maturity July 18, 2013)		300,000	300,000	300,000
Member Units(7) (Fully diluted 11.1%)			335,000	3,025,000
			635,000	3,325,000
<b>IRTH Holdings, LLC</b>	Utility Technology Services			
12% Secured Debt (Maturity December 29, 2015)		6,000,000	5,891,126	5,891,126
Member Units (Fully diluted 22.3%)			850,000	850,000
			6,741,126	6,741,126
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Products			
10% Secured Debt (Maturity March 31, 2011)		514,940	514,940	514,940
14% Secured Debt (Maturity January 23, 2011)	Oilfield and Industrial	5,250,000	5,241,999	5,241,999
Member Units(7) (Fully diluted 18.8%)			340,833	1,790,333
			6,097,772	7,547,272
<b>Laurus Healthcare, LP</b>	Healthcare Facilities / Services			
13% Secured Debt (Maturity May 7, 2012)		2,275,000	2,275,000	2,275,000
13% Secured Debt (Maturity December 31, 2011)		525,000	525,000	525,000
Warrants (Fully diluted 13.1%)			79,505	4,620,000
			2,879,505	7,420,000
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(8)		949,996	946,598	946,598
14% Secured Debt (Maturity August 22, 2012)		1,760,101	1,723,326	1,723,326

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Warrants (Fully diluted 17.0%)	54,000	
	2,723,924	2,669,924

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2) Affiliate Investments(4)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Merrick Systems, Inc.</b> 13% Secured Debt (Maturity May 5, 2015) Warrants (Fully diluted 6.5%)	Software and Information Technology	3,000,000	2,540,849 450,000	2,540,849 450,000
			2,990,849	2,990,849
<b>Olympus Building Services, Inc.</b> 12% Secured Debt (Maturity March 27, 2014) 12% Current / 3% PIK Secured Debt (Maturity March 27, 2014) Warrants (Fully diluted 22.5%)	Custodial/Facilities Services	3,150,000 984,000	2,976,408 984,001 470,000	3,050,000 984,001 930,000
			4,430,409	4,964,001
<b>OPI International Ltd.</b> 12% Secured Debt (Maturity November 30, 2015) 12% Secured Debt (Maturity November 30, 2015) Warrants (Fully diluted 8.0%)	Oil and Gas Construction Services	8,700,000 750,000	8,537,285 252,288 500,000	8,537,285 252,288 500,000
			9,289,573	9,289,573
<b>Schneider Sales Management, LLC</b> 13% Secured Debt (Maturity October 15, 2013) Warrants (Fully diluted 20.0%)	Sales Consulting and Training	3,367,542	3,289,127 45,000	1,000,000
			3,334,127	1,000,000
<b>Walden Smokey Point, Inc.</b> Common Stock (Fully diluted 12.6%)	Specialty Transportation/		1,426,667	2,620,000
<b>WorldCall, Inc.</b> 13% Secured Debt (Maturity April 22, 2011) Common Stock (Fully diluted 10.0%)	Telecommunication/ Information Services	646,225	646,225 296,631	646,225
			942,856	646,225
<b>Subtotal Affiliate Investments</b>			65,650,789	80,206,804

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2) Non-Control/Non-Affiliate Investments(5):	Industry	Principal(6)	Cost(6)	Fair Value
<b>Affinity Videonet, Inc.</b> 9% Secured Debt (Maturity December 31, 2012) 13% Secured Debt (Maturity December 31, 2015) 13% current / 1% PIK Secured Debt (Maturity December 31, 2015) Warrants (Fully diluted 2.5%)	Videoconferencing Services	500,000 2,000,000 2,000,000	490,000 1,897,500 1,995,652 62,500	490,000 1,897,500 1,995,652 62,500
			4,445,652	4,445,652
<b>Alon Refining Krotz Springs, Inc.(9)</b> 13.5% Secured Debt (Maturity October 15, 2014)	Petroleum Products/ Refining	4,000,000	3,832,366	3,900,000
<b>Bourland &amp; Leverich Supply Co., LLC(9)</b> LIBOR Plus 8.0% Secured Debt (Maturity August 24, 2015)(8)	Distributor of Oil & Gas Tubular Goods	4,443,750	4,236,574	4,554,847
<b>Brand Connections, LLC</b> 14% Secured Debt (Maturity April 30, 2015)	Venue-Based Marketing and Media	7,312,500	7,151,303	7,151,303
<b>Chef's Warehouse(9)</b> LIBOR Plus 9.0% Secured Debt (Maturity April 24, 2014)(8)	Specialty Food Distributor	8,137,083	7,907,586	8,219,225
<b>Fairway Group Acquisition(9)</b> LIBOR plus 9.5% Secured Debt (Maturity October 1, 2014)(8)	Retail Grocery	4,950,008	4,827,316	4,968,818
<b>Full Spectrum Holdings LLC(9)</b> LIBOR Plus 3.0% Secured Debt (Maturity December 12, 2012)(8) Warrants (Fully diluted 0.28%)	Professional Services	1,523,341	1,301,663 412,523	1,301,663 412,523
			1,714,186	1,714,186
<b>Global Tel*Link Corporation(9)</b> LIBOR Plus 11.25% Secured Debt (Maturity May 10, 2017)(8)	Communications Technology	3,000,000	2,941,728	2,948,271
<b>Hayden Acquisition, LLC</b> 8% Secured Debt (Maturity January 1, 2011)	Manufacturer of Utility Structures	1,800,000	1,781,303	250,000
<b>Hoffmaster Group, Inc.(9)</b> 13.5% Secured Debt (Maturity June 3, 2017) LIBOR Plus 5.0% Secured Debt (Maturity June 13, 2016)(8)	Manufacturer of Specialty Tabletop Products	5,000,000 1,509,615	4,881,278 1,453,860	4,787,500 1,490,745
			6,335,138	6,278,245
<b>Managed Healthcare(9)</b> LIBOR plus 3.25% Secured Debt (Maturity August 31, 2014)(8)	Healthcare Products	1,987,606	1,548,214	1,659,650
<b>Megapath Inc.(9)</b> LIBOR plus 10% Secured Debt (Maturity November 4, 2015)(8)	Communications Technology	4,000,000	3,922,670	4,040,770

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Non-Control/Non-Affiliate Investments(5):</b>				
<b>Miramax Film NY, LLC(9)</b>	Motion Picture Producer and Distributor			
LIBOR plus 6% Secured Debt (Maturity June 30, 2016)(8)		3,000,000	2,940,000	2,940,000
LIBOR plus 11% Secured Debt (Maturity December 30, 2016)(8)		4,000,000	3,920,000	3,920,000
Class B Units (Fully diluted 0.2%)			500,000	500,000
			7,360,000	7,360,000
<b>Northland Cable Television, Inc.(9)</b>	Cable Broadcasting			
LIBOR Plus 8.0% Secured Debt (Maturity June 22, 2013)(8)		5,000,000	4,851,285	4,988,785
<b>Pierre Foods, Inc.(9)</b>	Foodservice Supplier			
Base plus 4.25% Secured Debt (Maturity September 30, 2016)(8)		5,000,000	4,903,804	4,992,702
Base plus 8.5% Secured Debt (Maturity September 29, 2017)(8)		2,000,000	1,932,106	1,992,181
			6,835,910	6,984,883
<b>Rentech Energy Midwest Corporation(9)</b>	Manufacturer of Fertilizer			
LIBOR plus 10% Secured Debt (Maturity July 29, 2014)(8)		2,331,606	2,274,262	2,274,262
<b>Shearer's Foods, Inc.(9)</b>	Manufacturer of Food / Snacks			
12% Current / 3% PIK Secured Debt (Maturity March 21, 2016)(8)		4,092,707	3,999,396	4,154,098
<b>Standard Steel, LLC(9)</b>	Manufacturer of Steel Wheels and Axles			
12% Secured Debt (Maturity April 30, 2015)		3,000,000	2,902,821	2,988,750
<b>Support Systems Homes, Inc.</b>	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		576,600	576,600	576,600
<b>Technical Innovations, LLC</b>	Manufacturer of Specialty Cutting Tools and Punches			
13.5% Secured Debt (Maturity January 16, 2015)		2,950,000	2,919,118	2,950,000
<b>The Tennis Channel, Inc.</b>	Sports Broadcasting/ Media			
LIBOR plus 6% / 4% PIK Secured Debt (Maturity January 1, 2013)(8)		9,198,840	9,230,938	9,230,938
Warrants (Fully diluted 0.10%)			211,938	211,938
			9,442,876	9,442,876
<b>Other(10)</b>			105,000	105,000
<b>Subtotal Non-Control/Non-Affiliate Investments</b>			91,911,304	91,956,221
<b>Main Street Capital Partners, LLC (Investment Manager)</b>	Asset Management			
100% of Membership Interests			4,284,042	2,051,655
<b>Total Portfolio Investments, December 31, 2010</b>			\$ 322,855,578	\$ 348,811,074





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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>	Investments in Secured and Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
<b>AL Gulf Coast Terminals, LLC</b>				
LIBOR plus 5.0% Secured Debt (Maturity September 21, 2016)(8)		\$ 6,919,997	\$ 6,735,294	\$ 6,746,997
<b>Aspen Dental Management, Inc.</b>				
LIBOR plus 5.0% Secured Debt (Maturity October 13, 2016)(8)		4,987,500	4,691,670	4,806,974
<b>ATI Acquisition I Corp.</b>				
LIBOR plus 5.5% Secured Debt (Maturity September 14, 2016)(8)		2,885,675	2,841,517	2,857,332
<b>Booz Allen Hamilton Inc.</b>				
13% Debt (Maturity July 5, 2016)(8)		1,716,044	1,781,625	1,765,380
<b>Centerplate, Inc.</b>				
LIBOR plus 7.5% Secured Debt (Maturity September 16, 2016)(8)		3,000,000	2,914,206	2,988,750
<b>CHG Companies, Inc.</b>				
LIBOR plus 5.5% Secured Debt (Maturity October 14, 2016)(8)		1,975,000	1,937,558	1,996,754
<b>Excelitas Technologies Corp.</b>				
LIBOR plus 5.75% Secured Debt (Maturity December 2, 2016)(8)		3,000,000	2,971,096	3,020,771
<b>Gentiva Health Services, Inc.</b>				
LIBOR plus 5.0% Secured Debt (Maturity September 20, 2016)(8)		2,981,250	2,975,289	3,014,789
<b>Henniges Automotive Holdings, Inc.</b>				
LIBOR plus 10.0% Secured Debt (Maturity December 7, 2016)(8)		3,000,000	2,941,308	2,941,308
<b>MLM Holdings, Inc.</b>				
LIBOR plus 5.25% Secured Debt (Maturity December 1, 2016)(8)		6,982,500	6,879,686	6,897,406
<b>MultiPlan, Inc.</b>				
LIBOR plus 4.75% Secured Debt (Maturity August 26, 2017)(8)		3,876,923	3,863,709	3,913,269
<b>Rite Aid Corporation</b>				
7.5% Bond (Maturity March 1, 2017)		2,000,000	1,889,335	1,845,874
<b>SonicWALL, Inc.</b>				
LIBOR plus 6.25% Secured Debt (Maturity August 1, 2016)(8)		1,794,355	1,797,374	1,807,813
<b>Terex Corporation</b>				
7.4% Bond (Maturity January 15, 2014)		2,000,000	2,023,301	2,023,301
<b>Visant Corporation</b>				
LIBOR plus 5.25% Secured Debt (Maturity December 28, 2016)(8)		4,987,500	4,891,963	5,057,003
<b>Vision Solutions, Inc.</b>				
LIBOR plus 6.0% Secured Debt (Maturity July 23, 2016)(8)		1,925,000	1,612,010	1,631,338

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2010

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Marketable Securities and Idle Funds Investments</b>				
<b>Western Refining Inc.</b>				
LIBOR plus 7.5% Secured Debt (Maturity August 1, 2014)(8)		1,708,883	1,672,628	1,736,654
<b>Wyle Services Corporation</b>				
LIBOR plus 4.0% Secured Debt (Maturity September 10, 2016)(8)		3,989,992	3,964,645	4,003,290
<b>Yankee Cable Acquisition, LLC</b>				
LIBOR plus 4.5% Secured Debt (Maturity August 26, 2016)(8)		3,990,000	3,933,213	3,990,000
<b>Other Marketable Securities and Idle Funds Investments(10)</b>		5,529,450	5,653,480	5,707,855
<b>Subtotal Marketable Securities and Idle Funds Investments</b>			67,970,907	68,752,858
<b>Total Investments, December 31, 2010</b>			\$ 390,826,485	\$ 417,563,932

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- (1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.
- (2) See Note C for summary geographic location of portfolio companies.
- (3) Controlled investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.
- (5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.
- (6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.
- (7) Income producing through dividends or distributions.
- (8) Subject to contractual minimum interest rates.
- (9) Private placement portfolio investment.
- (10)

**Other Marketable Securities and Idle Funds Investments consists of various registered securities. Other Non-Control/Non-Affiliate investments consist of equity investments in portfolio companies.**

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

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

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Prime plus 1% Secured Debt (Maturity October 31, 2012)	350,000	338,667	338,667
Member Units (Fully diluted 85.1%)		4,100,000	6,620,000
		7,395,302	9,915,302
<b>Jensen Jewelers of Idaho, LLC</b>			
Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)	1,044,000	1,035,321	1,044,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)	1,067,437	1,055,154	1,067,437
Member Units(7) (Fully diluted 24.3%)		376,000	290,000
		2,466,475	2,401,437

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

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

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2009 (Continued)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
<b>Affiliate Investments(4)</b>				
<b>Advantage Millwork Company, Inc.</b>	Manufacturer/Distributor of Wood Doors			
12% Secured Debt (Maturity February 5, 2012)		3,066,667	2,970,656	1,200,000
Warrants (Fully diluted 12.2%)			97,808	
			3,068,464	1,200,000
<b>American Sensor Technologies, Inc.</b>	Manufacturer of Commercial/Industrial Sensors			
Prime plus 0.5% Secured Debt (Maturity May 31, 2010)(8)		3,800,000	3,800,000	3,800,000
Warrants (Fully diluted 19.6%)			49,990	820,000
			3,849,990	4,620,000
<b>California Healthcare Medical Billing, Inc.</b>	Healthcare Billing and Records Management			
12% Secured Debt (Maturity October 17, 2013)		1,410,000	1,182,803	1,275,400
12% Current/6% PIK Secured Debt (Maturity October 17, 2013)		858,794	842,583	842,583
Common Stock (Fully diluted 6.0%)			390,000	1,180,000
Warrants (Fully diluted 12.0%)			240,000	1,280,000
			2,655,386	4,577,983
<b>Compact Power Equipment Centers, LLC</b>	Light to Medium Duty Equipment Rental			
12% Secured Debt (Maturity September 23, 2014)		1,800,000	1,778,702	1,778,702
Member Units (Fully diluted 6.9%)			688	688
			1,779,390	1,779,390
<b>Houston Plating &amp; Coatings, LLC</b>	Plating & Industrial Coating Services			
Prime plus 2% Secured Debt (Maturity July 19, 2011)		100,000	100,000	100,000
Prime plus 2% Secured Debt (Maturity July 18, 2013)		200,000	200,000	200,000
Member Units(7) (Fully diluted 11.1%)			335,000	3,565,000
			635,000	3,865,000
<b>Indianapolis Aviation Partners, LLC</b>	FBO/Aviation Support Services			
12% Secured Debt (Maturity September 15, 2014)		2,700,000	2,444,759	2,444,759
Warrants (Fully diluted 9.1%)			450,000	450,000
Warrants (Fully diluted 9.0%)			227,571	227,571
			3,122,330	3,122,330
<b>KBK Industries, LLC</b>	Specialty Manufacturer of Oilfield and Industrial Products			
14% Secured Debt (Maturity January 23, 2011)		3,937,500	3,853,825	3,853,825
8% Secured Debt (Maturity March 1, 2010)		93,750	93,750	93,750
8% Secured Debt (Maturity March 31, 2010)		450,000	450,000	450,000
Member Units(7) (Fully diluted 14.5%)			187,500	460,000
			4,585,075	4,857,575
<b>Laurus Healthcare, LP</b>	Healthcare Facilities/Services			
13% Secured Debt (Maturity May 7, 2012)		2,275,000	2,275,000	2,275,000
Warrants (Fully diluted 17.5%)			105,000	4,400,000
			2,380,000	6,675,000
<b>National Trench Safety, LLC</b>	Trench & Traffic Safety Equipment			
10% PIK Debt (Maturity April 16, 2014)		447,203	447,203	447,203
Member Units (Fully diluted 11.7%)			1,792,308	700,000
			2,239,511	1,147,203





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## MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS  
December 31, 2009 (Continued)

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

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## MAIN STREET CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

December 31, 2009

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

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<b>Total Portfolio Investments, December 31, 2009</b>				
<b>Marketable Securities and Idle Funds Investments</b>	Investments in Secured and Rated Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
Western Refining Inc. LIBOR plus 5% Secured Term Loan (Maturity May 30, 2014)(8)		1,773,878	1,727,770	1,727,770
Pharmanet Development Group, Inc. LIBOR plus 7% Secured Term Loan (Maturity May 29, 2014)(8)		987,500	686,534	686,534
Other Marketable Securities and Idle Funds Investments		339,000	838,650	838,650
<b>Total Marketable Securities and Idle Funds Investments, December 31, 2009</b>			3,252,954	3,252,954
<b>Total Investments, December 31, 2009</b>		\$ 147,532,944	\$ 159,992,948	

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- (1) **Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.**
- (2) **See Note C for summary geographic location of portfolio companies.**

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- (3) **Controlled investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.**
- (4) **Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.**
- (5) **Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.**
- (6) **Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.**
- (7) **Income producing through payment of dividends or distributions.**
- (8) **Subject to contractual minimum interest rates.**
- (9) **Private placement portfolio investment.**

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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A ORGANIZATION AND BASIS OF PRESENTATION**

**1. Organization**

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

On January 7, 2010, MSCC consummated transactions (the "Exchange Offer") to exchange 1,239,695 shares of its common stock for approximately 88% of the total dollar value of the limited partner interests in Main Street Capital II, LP ("MSC II" and, together with MSMF, the "Funds"). Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC ("MSC II GP"), were also transferred to MSCC for no consideration. MSC II commenced operations in January 2006, is an investment fund that operates as an SBIC and is also managed by the Investment Manager. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the "Exchange Offer Transactions" (see Note J).

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

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

**2. Basis of Presentation**

Main Street's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). For the year ended December 31, 2010, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including the Funds. For the year ended 2009, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries, including MSMF. Portfolio investments, as used herein, refers to all of Main Street's portfolio investments in lower middle market ("LMM") companies, private placement portfolio investments, and the investment in the Investment Manager and excludes all "Marketable securities and idle funds investments." Private placement portfolio investments include investments made through direct or secondary purchases of interest-bearing securities in companies that are generally larger in size than the LMM companies included as part of Main Street's portfolio investments. The Investment Manager is accounted for as a portfolio investment (see Note D). "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on Main Street's Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (see Note B.13). Main Street's

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

results of operations and cash flows for the years ended December 31, 2010, 2009, and 2008, and financial position as of December 31, 2010 and 2009, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including the reclassification of private placement portfolio investments which were formerly classified as "Marketable securities and idle funds investments" and are now classified as portfolio investments in the "Non-Control/Non-Affiliate investments" category due to Main Street's current intent to hold such investments until their maturity and the fact that their terms adhere more to Main Street's portfolio investment strategy.

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

***Portfolio Investment Classification***

Main Street classifies its portfolio investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation. Under the 1940 Act, "Affiliate Investments" are defined as investments in which Main Street owns between 5% and 25% of the voting securities. Under the 1940 Act, "Non-Control/Non-Affiliate Investments" are defined as investments that are neither Control investments nor Affiliate investments. The "Investment in affiliated Investment Manager" represents Main Street's investment in a wholly owned investment manager subsidiary that is accounted for as a portfolio investment.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. Valuation of Portfolio Investments**

Main Street accounts for its LMM portfolio investments, private placement portfolio investments, and the investment in the Investment Manager at fair value. As a result, Main Street adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures*, in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. With the adoption of this statement, Main Street incorporated the income approach to estimate the fair value of its LMM portfolio debt investments principally using a yield-to-maturity model.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Main Street's portfolio strategy calls for it to invest primarily in illiquid securities issued by private, LMM companies as well as privately placed debt securities issued by private, middle market companies that are generally larger in size than the LMM companies. These portfolio investments may be subject to restrictions on resale and will generally have no established trading market. Main Street determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. Main Street reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. Main Street's valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis.

Pursuant to its internal valuation process, Main Street performs valuation procedures on each LMM portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each LMM portfolio investment at least once in every calendar year, and for new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent advisor on one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a LMM portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street's determination of fair value on a total of 34 portfolio companies, including 33 LMM portfolio companies and our affiliated Investment Manager, for the year ended December 31, 2010, representing approximately 79% of the total LMM portfolio and affiliated Investment Manager investments at fair value as of December 31, 2010. Main Street consulted with its independent advisor relative to Main Street's determination of fair value on 8, 10, 8, and 8 LMM portfolio investments for the quarters ended March 31, June 30, September 30, and December 31, 2010, respectively. The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street's estimate of the fair value for the investments consistent with the 1940 Act requirements.

Main Street's private placement portfolio investments primarily consist of direct or secondary purchases of interest-bearing securities in companies that are generally larger in size than the LMM companies included in Main Street's portfolio. For valuation purposes, all of Main Street's private placement portfolio investments are non-control investments and are composed of debt securities for which Main Street does not have a controlling interest in the portfolio company, or the ability to nominate a majority of the portfolio company's board of directors. Main Street primarily uses observable inputs to determine the fair value of these investments through obtaining third party quotes or other independent pricing. As of December 31, 2010, Main Street had privately placed portfolio investments in 16 companies collectively totaling approximately \$67.1 million in fair value with a total cost basis of approximately \$65.6 million. The weighted average revenues for the 16 privately placed portfolio company investments was approximately \$352 million. All of Main Street's privately placed portfolio investments were in the form of debt investments and 71% of such debt investments at cost were secured by first priority liens on portfolio company assets. The weighted average effective yield on Main Street's privately placed portfolio debt investments was approximately 12.5% as of December 31, 2010.

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

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

Main Street believes its investments as of December 31, 2010 and 2009 approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence at those reporting periods.



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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Use of Estimates**

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

**3. Cash and Cash Equivalents**

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

**4. Marketable Securities and Idle Funds Investments**

Marketable securities and idle funds investments include investments in certificates of deposit, U.S. government agency securities, intermediate-term secured debt, independently rated debt investments, and diversified bond funds. See the "Consolidated Schedule of Investments" for more information on marketable securities and idle funds investments.

**5. Interest and Dividend Income**

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

While not significant to its total portfolio, Main Street holds debt and preferred equity instruments in its investment portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of dividends in arrears may be deferred until such time as the preferred equity is redeemed. To maintain regulated investment company ("RIC") tax treatment (as discussed below), these non-cash sources of income will need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash.

As of December 31, 2010, Main Street had two investments on non-accrual status, which comprised approximately 2.6% of the investment portfolio at fair value. At December 31, 2009, Main Street had three

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

investments on non-accrual status, which comprised approximately 1.1% of the investment portfolio at fair value.

**6. Deferred Financing Costs**

Deferred financing costs include SBIC debenture commitment fees and SBIC debenture leverage fees which have been capitalized and which are amortized into interest expense over the term of the debenture agreement (10 years).

Deferred financing costs also include costs related to a two-year term treasury line of credit and a three-year term investment credit facility. These costs have been capitalized and are amortized into interest expense over their respective terms. The treasury line of credit was voluntarily terminated in 2009, and the remaining unamortized costs associated with the treasury line of credit were expensed in 2009.

**7. Fee Income Structuring and Advisory Services**

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

**8. Unearned Income Debt Origination Fees and Original Issue Discount**

Main Street capitalizes upfront debt origination fees received in connection with financings and reflects such fees as unearned income netted against investments. Main Street will also capitalize and offset direct loan origination costs against the origination fees received. The unearned income from the fees, net of direct debt origination costs, is accreted into interest income based on the effective interest method over the life of the financing.

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

**9. Share-Based Compensation**

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

**10. Income Taxes**

MSCC has elected and intends to continue to qualify for the tax treatment applicable to a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and, among other things, intends to make the required distributions to its stockholders as specified therein. In order to qualify as a RIC, MSCC is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, each year. Depending on the level of taxable income earned in a tax year,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

MSCC may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

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

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

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

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

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

**12. Concentration of Credit Risks**

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

**13. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, marketable securities, receivables, accounts payable and accrued liabilities approximate the fair values of such items. Marketable securities and idle funds investments generally include investments in certificates of deposit, U.S. government agency securities, intermediate-term secured debt, independently rated debt investments, and diversified bond funds. The fair value determination for these investments under the provisions of ASC 820 primarily consists of Level 2 observable inputs.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The SBIC debentures remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. As part of the Exchange Offer Transactions, Main Street elected the fair value option under ASC 825, *Financial Instruments* ("ASC 825") relating to accounting for debt obligations at their fair value, for those SBIC debentures acquired (the "Acquired Debentures"). The fair value option was elected for the Acquired Debentures as part of the acquisition accounting related to the Exchange Offer. In order to provide for a more consistent basis of presentation, Main Street has elected and will continue to elect the fair value option for SBIC debentures issued by MSC II subsequent to the Exchange Offer. Once the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to "Net Change in Unrealized Appreciation (Depreciation) SBIC debentures" as part of the fair value adjustment. Interest associated with SBIC debentures valued at fair value is expensed to "Interest" expense.

**14. Earnings per Share**

Basic and diluted per share calculations are computed utilizing the weighted average number of shares of common stock outstanding for the period. Main Street adopted the amended guidance in ASC 260, *Earnings Per Share*. Based on the guidance, Main Street determined that unvested shares of restricted stock are participating securities and should therefore be included in the basic earnings per share calculation. As a result, for all periods presented, there is no difference between diluted earnings per share and basic earnings per share amounts.

As a result of the Exchange Offer Transactions, the net earnings attributable to the remaining externally owned noncontrolling interest in MSC II is excluded from all per share amounts presented and the per share amounts only reflect the net earnings attributable to Main Street's ownership interest in MSC II.

**15. Recently Issued Accounting Standards**

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

**NOTE C FAIR VALUE HIERARCHY FOR PORTFOLIO AND IDLE FUNDS INVESTMENTS**

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

**Fair Value Hierarchy**

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

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

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

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

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

Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);

Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and

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**MAIN STREET CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

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

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

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

As of December 31, 2010 and 2009, all of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3. The fair value determination of each portfolio investment required one or more of the following unobservable inputs:

Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;

Current and projected financial condition of the portfolio company;

Current and projected ability of the portfolio company to service its debt obligations;

Type and amount of collateral, if any, underlying the investment;

Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio, and net debt/EBITDA ratio) applicable to the investment;

Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

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Current information regarding any offers to purchase the investment;

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

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

The following table provides a summary of changes in fair value of Main Street's Level 3 portfolio investments for the year ended December 31, 2010:

Type of Investment	December 31, 2009 Fair Value	MSC II Exchange Offer	Accretion of Unearned Income	Redemptions/ Repayments/ Exits(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	December 31, 2010 Fair Value
Debt	\$ 84,309,980	\$ 56,143,458	\$ 1,434,415	\$ (24,376,914)	\$ 63,375,038	\$ 3,702,132	\$ (694,039)	\$ 183,894,070
Equity	30,377,672	9,066,290		1,647,363	17,372,359	(485,735)	3,223,771	61,201,720
Equity warrants	11,197,571	5,864,324		(3,678,017)	4,396,354	(327,983)	7,628,714	25,080,963
Investment Manager	16,036,838	(13,715,958)					(269,225)	2,051,655
	\$ 141,922,061	\$ 57,358,114	\$ 1,434,415	\$ (26,407,568)	\$ 85,143,751	\$ 2,888,414	\$ 9,889,221	\$ 272,228,408

(1) Includes the impact of non-cash conversions

The following table provides a summary of changes in fair value of the Level 3 SBIC Debentures recorded at fair va