

Main Street Capital CORP  
Form 10-Q  
November 06, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2009**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from: \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 001-33723**

**Main Street Capital Corporation**

(Exact name of registrant as specified in its charter)

**Maryland**

**41-2230745**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**1300 Post Oak Boulevard, Suite 800  
Houston, TX**

**77056**

(Address of principal executive offices)

(Zip Code)

**(713) 350-6000**

(Registrant's telephone number including area code)

**n/a**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
o No

The number of shares outstanding of the issuer's common stock as of November 5, 2009 was 10,780,530.

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Consolidated Balance Sheets**

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
Investments at fair value:		
Control investments (cost: \$65,050,864 and \$60,767,805 as of September 30, 2009 and December 31, 2008, respectively)	\$ 69,722,443	\$ 65,542,608
Affiliate investments (cost: \$41,746,184 and \$37,946,800 as of September 30, 2009 and December 31, 2008, respectively)	44,822,099	39,412,695
Non-Control/Non-Affiliate investments (cost: \$9,886,824 and \$6,245,405 as of September 30, 2009 and December 31, 2008, respectively)	8,914,181	5,375,886
Investment in affiliated Investment Manager (cost: \$18,000,000 as of September 30, 2009 and December 31, 2008)	16,340,706	16,675,626
Total investments (cost: \$134,683,872 and \$122,960,010 as of September 30, 2009 and December 31, 2008, respectively)	139,799,429	127,006,815
Marketable securities and idle funds investments (cost: \$39,498,257 and \$4,218,704 as of September 30, 2009 and December 31, 2008, respectively)	39,912,232	4,389,795
Cash and cash equivalents	8,216,699	35,374,826
Deferred tax asset	1,186,108	1,121,681
Other assets	1,095,078	1,100,922
Deferred financing costs (net of accumulated amortization of \$982,066 and \$956,037 as of September 30, 2009 and December 31, 2008, respectively)	1,420,726	1,635,238
Total assets	\$ 191,630,272	\$ 170,629,277
<b>LIABILITIES</b>		
SBIC debentures	\$ 55,000,000	\$ 55,000,000
Marketable securities settlement liability	5,773,480	
Interest payable	289,730	1,108,193
Dividend payable	1,343,701	726,464
Accounts payable and other liabilities	160,536	1,438,564
Total liabilities	62,567,447	58,273,221
Commitments and contingencies		

**NET ASSETS**

Common stock, \$0.01 par value per share (150,000,000 shares authorized; 10,749,640 and 9,206,483 issued and outstanding as of September 30, 2009 and December 31, 2008, respectively)	107,496	92,065
Additional paid-in capital	121,886,302	104,467,740
Undistributed net realized income	830,071	3,658,495
Net unrealized appreciation from investments, net of income taxes	6,238,956	4,137,756
Total net assets	129,062,825	112,356,056
Total liabilities and net assets	\$ 191,630,272	\$ 170,629,277
<b>NET ASSET VALUE PER SHARE</b>	\$ 12.01	\$ 12.20

The accompanying notes are an integral part of these financial statements

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**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>INVESTMENT INCOME:</b>				
Interest, fee and dividend income:				
Control investments	\$ 2,519,354	\$ 2,861,564	\$ 6,353,175	\$ 7,436,174
Affiliate investments	1,022,440	1,037,464	3,357,997	3,146,326
Non-Control/Non-Affiliate investments	272,703	320,976	668,876	1,220,166
Total interest, fee and dividend income	3,814,497	4,220,004	10,380,048	11,802,666
Interest from marketable securities, idle funds and other	687,101	237,320	1,314,045	858,935
Total investment income	4,501,598	4,457,324	11,694,093	12,661,601
<b>EXPENSES:</b>				
Interest	(957,413)	(930,332)	(2,830,325)	(2,734,174)
General and administrative	(317,141)	(406,277)	(1,061,928)	(1,271,338)
Expenses reimbursed to affiliated Investment Manager	(226,237)	(275,039)	(306,175)	(719,777)
Share-based compensation	(375,766)	(315,726)	(767,218)	(315,726)
Total expenses	(1,876,557)	(1,927,374)	(4,965,646)	(5,041,015)
<b>NET INVESTMENT INCOME</b>	<b>2,625,041</b>	<b>2,529,950</b>	<b>6,728,447</b>	<b>7,620,586</b>
<b>NET REALIZED GAIN FROM INVESTMENTS:</b>				
Control investments		4,320,213	865,651	4,320,213
Affiliate investments				710,404
Non-Control/Non-Affiliate investments	158,340		613,183	
Total net realized gain from investments	158,340	4,320,213	1,478,834	5,030,617
<b>NET REALIZED INCOME</b>	<b>2,783,381</b>	<b>6,850,163</b>	<b>8,207,281</b>	<b>12,651,203</b>
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) FROM INVESTMENTS:</b>				
Control investments	1,043,776	(4,557,143)	(103,224)	(3,672,439)
Affiliate investments	1,711,494	840,429	1,610,021	(100,523)
Non-Control/Non-Affiliate investments	516,278	(165,531)	139,759	(106,765)
Investment in affiliated Investment Manager	(390,238)	(239,844)	(334,920)	(704,306)
Total net change in unrealized appreciation (depreciation) from investments	2,881,310	(4,122,089)	1,311,636	(4,584,033)

Income tax (provision) benefit	1,372,451	(54,371)	789,564	2,297,265
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 7,037,142</b>	<b>\$ 2,673,703</b>	<b>\$ 10,308,481</b>	<b>\$ 10,364,435</b>
<b>NET INVESTMENT INCOME PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.25</b>	<b>\$ 0.27</b>	<b>\$ 0.69</b>	<b>\$ 0.84</b>
<b>NET REALIZED INCOME PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.26</b>	<b>\$ 0.74</b>	<b>\$ 0.84</b>	<b>\$ 1.40</b>
<b>DIVIDENDS PAID PER SHARE</b>	<b>\$ 0.38</b>	<b>\$ 0.36</b>	<b>\$ 1.13</b>	<b>\$ 1.05</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.66</b>	<b>\$ 0.29</b>	<b>\$ 1.05</b>	<b>\$ 1.15</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>10,701,603</b>	<b>9,228,630</b>	<b>9,788,226</b>	<b>9,050,010</b>

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		Additional	Undistributed	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total
	Number of Shares	Par Value	Paid-In Capital	Net Realized Income		Net Assets
<b>Balances at December 31, 2007</b>	8,959,718	\$ 89,597	\$ 104,076,033	\$ 6,067,131	\$ 4,916,447	\$ 115,149,208
Issuance of restricted stock	265,645	2,657	(2,657)			
Dividend reinvestment	15,820	158	213,570			213,728
Share-based compensation			315,726			315,726
Dividends to stockholders				(10,625,278)		(10,625,278)
Net increase resulting from operations				12,651,203	(2,286,768)	10,364,435
<b>Balances at September 30, 2008</b>	9,241,183	\$ 92,412	\$ 104,602,672	\$ 8,093,056	\$ 2,629,679	\$ 115,417,819
<b>Balances at December 31, 2008</b>	9,206,483	\$ 92,065	\$ 104,467,740	\$ 3,658,495	\$ 4,137,756	\$ 112,356,056
Dividend reinvestment	178,780	1,787	2,343,329			2,345,116
Public offering of common stock, net of offering costs	1,437,500	14,375	16,176,533			16,190,908
Share repurchase program	(164,544)	(1,645)	(1,615,461)			(1,617,106)
Issuance of restricted stock	107,824	1,078	(1,078)			
Share-based compensation			767,218			767,218
Common stock withheld for payroll taxes on restricted stock	(16,403)	(164)	(251,979)			(252,143)

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Dividends to stockholders	(11,035,705)		(11,035,705)
Net increase resulting from operations	8,207,281	2,101,200	10,308,481

**Balances at  
September 30,  
2009**

10,749,640    \$ 107,496    \$ 121,886,302    \$ 830,071    \$ 6,238,956    \$ 129,062,825

The accompanying notes are an integral part of these financial statements

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**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Nine Months Ended September 30, 2009                      2008	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations:	\$ 10,308,481	\$ 10,364,435
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized appreciation from investments	(1,311,636)	4,584,033
Net realized gain from investments	(1,478,834)	(5,030,617)
Accretion of unearned income	(457,835)	(886,902)
Net payment-in-kind interest accrual	(458,738)	(258,573)
Share-based compensation expense	767,218	315,726
Amortization of deferred financing costs	324,935	229,220
Deferred taxes	(64,427)	(2,787,364)
Other	(732,326)	432,966
Changes in other assets and liabilities:		
Other assets	(247,416)	696,774
Interest payable	(818,463)	(763,026)
Accounts payable and other liabilities	(1,278,820)	198,850
Net cash provided by operating activities	4,552,139	7,095,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in portfolio companies	(16,540,965)	(34,485,324)
Investments in marketable securities and idle funds investments	(72,925,566)	
Proceeds from marketable securities and idle funds investments	44,036,959	24,063,261
Principal payments received on loans and debt securities	7,580,630	10,691,302
Proceeds from sale of equity securities and related notes		7,409,464
Net cash provided by (used in) investing activities	(37,848,942)	7,678,703
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share repurchase program	(1,617,106)	
Proceeds from public offering of common stock, net of offering costs	16,190,908	
Dividends paid to stockholders	(8,472,560)	(9,289,608)
Net change in DRIP deposit	400,000	(500,000)
Common stock withheld for payroll taxes on restricted stock	(252,143)	
Payment of deferred loan costs and SBIC debenture fees	(110,423)	(31,394)
Net cash provided by (used in) financing activities	6,138,676	(9,821,002)
Net increase (decrease) in cash and cash equivalents	(27,158,127)	4,953,223
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>35,374,826</b>	<b>41,889,324</b>

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 8,216,699	\$ 46,842,547
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**MAIN STREET CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**September 30, 2009**  
**(Unaudited)**

Portfolio Company/Type of Investment (1) (2) Control Investments (3)	Industry	Principal (6)	Cost (6)	Fair Value
<b>Café Brazil, LLC</b>	Casual Restaurant			
12% Secured Debt (Maturity April 20, 2011)	Group	\$ 2,625,000	\$ 2,610,188	\$ 2,625,000
Member Units (7) (Fully diluted 42.3%)			41,837	1,390,000
			2,652,025	4,015,000
<b>CBT Nuggets, LLC</b>	Produces and Sells			
14% Secured Debt (Maturity December 31, 2013)	IT Certification	1,680,000	1,652,732	1,680,000
10% Secured Debt (Maturity March 31, 2012)	Training Videos	915,000	915,000	915,000
10% Secured Debt (Maturity March 31, 2010)		60,000	60,000	60,000
Member Units (7) (Fully diluted 24.5%)			299,520	1,390,000
			2,927,252	4,045,000
<b>Ceres Management, LLC (Lambs)</b>	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	2,400,000	2,376,126	2,376,126
Member Units (Fully diluted 42.0%)			1,200,000	1,110,000
Class B Member Units (Non-voting)			157,502	157,502
			3,733,628	3,643,628
<b>Condit Exhibits, LLC</b>	Tradeshow Exhibits/			
13% current / 5% PIK Secured Debt (Maturity July 1, 2013)	Custom Displays	2,473,846	2,442,974	2,442,974
Warrants (Fully diluted 28.1%)			300,000	30,000
			2,742,974	2,472,974
<b>Gulf Manufacturing, LLC</b>	Industrial Metal			
Prime plus 1% Secured Debt (Maturity August 31, 2012)	Fabrication	1,200,000	1,192,532	1,200,000
13% Secured Debt (Maturity August 31, 2012)		1,200,000	1,119,507	1,180,000
Member Units (7) (Fully diluted 18.4%)			472,000	2,360,000
Warrants (Fully diluted 8.4%)			160,000	1,080,000
			2,944,039	5,820,000
<b>Hawthorne Customs &amp; Dispatch Services, LLC</b>	Transportation/			

13% Secured Debt (Mat