

Main Street Capital CORP  
Form 497  
March 04, 2016

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**Filed Pursuant to Rule 497**

**Registration Statement No. 333-203147**

Supplement, dated March 4, 2016  
to

Prospectus, dated July 16, 2015

and

Prospectus Supplement, dated November 24, 2015

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of Main Street Capital Corporation (the Company) dated July 16, 2015 (the Prospectus), as supplemented by the Prospectus Supplement dated November 24, 2015, as further supplemented from time to time including hereby (the Prospectus Supplement). Capitalized terms used but not defined herein shall have the same meaning given them in the Prospectus Supplement or Prospectus, as applicable.

*Investing in our common stock involves a high degree of risk, and should be considered highly speculative. See Risk Factors beginning on page 15 of the Prospectus and in Annex A hereto to read about factors you should consider, including the risk of leverage and dilution, before investing in our common stock.*

#### **STATUS OF OUR OFFERING**

On November 24, 2015, we established an at-the-market program to which the Prospectus Supplement relates and through which we may sell, from time to time and at our sole discretion up to 1,000,000 shares of our common stock. As of the date of this prospectus supplement, we have sold 147,713 shares of our common stock for net proceeds of approximately \$4.5 million, after commissions to the Sales Agents on shares sold

and offering costs, under the at-the-market program. As a result, 852,287 shares of our common stock remain available for sale under the at-the-market program.

**FORM 10-K AND INVESTOR PRESENTATION**

On February 26, 2016, we filed our Annual Report on Form 10-K for the year ended December 31, 2015 (the Report ) with the Securities and Exchange Commission and posted our investor presentation for the year ended December 31, 2015 (the Presentation ) on our website. We have attached the Report as [Annex A](#) and the Presentation as [Annex B](#) to this prospectus supplement.

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[Annex A](#)

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2015**

**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**  
*(State or other jurisdiction  
of incorporation or organization)*

**41-2230745**  
*(I.R.S. Employer  
Identification No.)*

**77056**

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(Zip Code)

1300 Post Oak Boulevard, 8th floor  
Houston, TX

(Address of principal executive offices)

(713) 350-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                      | Name of Each Exchange on Which Registered |
|--|---|
| Common Stock, par value \$0.01 per share | New York Stock Exchange                   |
| 6.125% Notes due 2023                    | New York Stock Exchange                   |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2015, was approximately \$1,504.4 million based upon the last sale price for the registrant's common stock on that date.

The number of outstanding common shares of the registrant as of February 25, 2016 was 50,496,252.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrants' definitive Proxy Statement for its 2016 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in this Annual Report on Form 10-K in response to Part III.

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**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS**

*This Annual Report on Form 10-K contains forward-looking statements regarding the plans and objectives of management for future operations. Any such forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the factors discussed in Item 1A entitled "Risk Factors" in Part I of this Annual Report on Form 10-K and elsewhere in this Annual Report on Form 10-K. Other factors that could cause actual results to differ materially include changes in the economy and future changes in laws or regulations and conditions in our operating areas.*

*We have based the forward-looking statements included in this Annual Report on Form 10-K on information available to us on the date of this Annual Report on Form 10-K, and we assume no obligation to update any such forward-looking statements, unless we are required to do so by applicable law. However, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.*

**PART I**

**Item 1. Business**

**ORGANIZATION**

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

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

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and receive fee income for such services. MSCC has been granted no-action relief by the Securities and Exchange Commission ("SEC") to

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allow the External Investment Manager to register as a registered investment adviser ("RIA") under Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since the External Investment Manager conducts all of its investment management activities for External Parties, it is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements.

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

MSCC has certain direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of the Taxable Subsidiaries is to permit MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes. The External Investment Manager and Main Street Capital Partners, LLC, ("MSCP") are also direct wholly owned subsidiaries that have elected to be taxable entities. The Taxable Subsidiaries, MSCP and the External Investment Manager are each taxed at their normal corporate tax rates based on their taxable income.

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, MSCP.

The following diagram depicts Main Street's organizational structure:

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\* Each of the Taxable Subsidiaries is directly or indirectly wholly owned by MSCC.

\*\* Accounted for as a portfolio investment at fair value, as opposed to a consolidated subsidiary.

### **CORPORATE INFORMATION**

Our principal executive offices are located at 1300 Post Oak Boulevard, 8<sup>th</sup> floor, Houston, Texas 77056. We maintain a Web site on the Internet at [www.mainstcapital.com](http://www.mainstcapital.com). We make available free of charge on our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information regarding the Public Reference Room by calling the SEC at 1-800-SEC-0330. Information contained on our Web site is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K.

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**OVERVIEW OF OUR BUSINESS**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") portfolio investments are primarily debt securities which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

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

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

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

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

Our external asset management business is conducted through our External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services.

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

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

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

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income.

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

## **RECENT DEVELOPMENTS**

During January 2016, we fully exited our debt and equity investments in Southern RV, LLC, a four-location dealer of new and used recreational vehicles ("RV") and its affiliated real estate entity (together, "Southern RV") through a sale of Southern RV's assets and business. Southern RV has facilities in Tyler, TX, Bossier City, LA, Lafayette, LA, and Biloxi, MS and also engages in financing, parts sales and RV services. Southern RV's predecessor was originally founded in 2000 and offers its customers a variety of Travel Trailers, Fifth Wheels, Toy Haulers, Class A Motorhomes, and Class C Motorhomes from top-selling



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manufacturers. We made our initial investment in Southern RV in August 2013 and realized a gain of approximately \$14.4 million on the exit of our equity investments in Southern RV.

During February 2016, we led a new portfolio investment totaling \$15.0 million of invested capital in UniRush, LLC ("UniRush") to fund UniRush's growth initiatives and refinance existing debt, with us funding \$12.0 million of the investment. The investment in UniRush consisted of first-lien, senior secured term debt. In addition, we and our co-investor provided UniRush a \$5.0 million delayed draw term loan facility to support its future growth opportunities. Headquartered in Cincinnati, Ohio and founded in 2003, UniRush is a leading provider of prepaid debit card solutions branded under the "RushCard" and "Rapid PayCard". RushCard was one of the first prepaid, reloadable Visa debit card programs, and provides financial services for the more than 65 million individuals in the United States who cannot or choose not to establish a traditional banking relationship. Rapid PayCard is a provider of prepaid, payroll debit cards for employers as an alternative to issuing paper checks to employees.

During February 2016, we declared regular monthly dividends of \$0.180 per share for each of April, May and June 2016. These regular monthly dividends equal a total of \$0.540 per share for the second quarter of 2016. The second quarter 2016 regular monthly dividends represent a 2.9% increase from the dividends declared for the second quarter of 2015. Including the dividends declared for the second quarter of 2016, we will have paid \$16.960 per share in cumulative dividends since our October 2007 initial public offering.

**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:

*Deliver Customized Financing Solutions in the Lower Middle Market.* We offer LMM portfolio companies customized debt and equity financing solutions that are tailored to the facts and circumstances of each situation. 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. Our ability to invest across a company's capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer LMM portfolio companies a comprehensive suite of financing options, or a "one-stop" financing solution.

*Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. We believe that 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. We also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.

*Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies. 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 five certified public accountants and three Chartered Financial Analyst® (CFA) charter holders. 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. Also, the reputation of our investment team has and should continue to enable us to generate additional revenue in the form of management and incentive fees in connection with us providing advisory services to other investment funds.

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

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regions and end markets. This portfolio balance is intended to mitigate the potential effects of negative economic events for particular companies, regions, industries and end markets.

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

*Benefit from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt. Because lower cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments. We also maintain an investment grade rating from Standard & Poor's Ratings Services which provides us the opportunity and flexibility to obtain additional, attractive long-term financing options to supplement our capital structure.

**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 LMM 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 of \$3 million to \$20 million and commensurate levels of free cash flow. We also pursue investments in debt securities of Middle Market companies that are generally established companies with sound historical financial performance that are generally larger in size than LMM companies. 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 a refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

**INVESTMENT PORTFOLIO**

The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, but excludes all "Marketable securities



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and idle funds investments". Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments that we originate on a collaborative basis with other investment funds, and are often referred to in the debt markets as "club deals." Our Other Portfolio investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market and Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds.

***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 first-lien 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 a term of five to seven years from the original investment date, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at fixed interest rates generally between 10% and 14% per annum, payable currently in cash. In some instances, we have provided floating interest rates for our single tranche debt securities. 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 form of interest 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. 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 debt investments by negotiating covenants that are designed to protect our LMM debt 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 debt 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 payable currently in cash that will provide us with significant interest income plus the additional opportunity for income and gains through PIK interest and equity warrants and other similar equity instruments issued in conjunction with these mezzanine loans. 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 or PIK interest.

We also pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and

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seven years from the original investment date. The debt investments in our Middle Market portfolio have rights and protections that are similar to those in our LMM debt investments, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions, guarantees and equity pledges. The Middle Market debt investments generally have floating interest rates at LIBOR plus a margin, and are typically subject to LIBOR floors.

Our Private Loan portfolio investments primarily consist of investments in interest-bearing debt securities in companies that are consistent with the size of companies in our LMM portfolio or our Middle Market portfolio, but are investments which have been originated through strategic relationships with other investment funds on a collaborative basis. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien and typically have a term of between three and seven years from the original investment date.

***Warrants***

In connection with a portion of 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 of our LMM portfolio companies, and to allow for 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 LMM investment process. The current members of our investment committee are Vincent D. Foster, our Chairman and Chief Executive Officer, Dwayne L. Hyzak, our President, Chief Operating Officer and Senior Managing Director, Curtis L. Hartman, our Vice Chairman, Chief Credit Officer and Senior Managing Director, and David Magdol, our Vice Chairman, Chief Investment Officer and Senior Managing Director.

Our credit committee is responsible for all aspects of our Middle Market portfolio investment process. The current members of our credit committee are Messrs. Foster, Hartman and Rodger A. Stout, our Executive Vice President.

Investment process responsibility for each Private Loan portfolio investment is delegated to either the investment committee or the credit committee based upon the nature of the investment and the manner in which it was originated. Similarly, the investment processes for each Private Loan portfolio investment, from origination to close and to eventual exit, will follow the processes for our LMM portfolio investments or our Middle Market portfolio investments as outlined below, or a combination thereof.

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 or the credit

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committee, as applicable. Our investment committee and credit committee each meet on an as needed basis depending on transaction volume. We generally categorize 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, service providers such as lawyers, financial advisors, accountants and current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and Middle Market companies, and we have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in these markets.

***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;

direct industry expertise imported 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 portfolio investments, the initial term sheet is typically issued by the borrower, through the syndicating bank, and is screened by the investment team which makes a recommendation to our credit committee.

***Term Sheet***

For proposed LMM transactions, 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 for LMM investments is non-binding, 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.

For proposed Middle Market transactions, the initial term sheet will include key economic terms and other conditions proposed by the borrower and its representatives and the proposed timeline for the investment, which are reviewed by our investment team to determine if such terms and conditions are in agreement with our investment objectives.

***Due Diligence***

Due diligence on a proposed LMM investment is performed by a minimum of two of our investment professionals, 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



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business plan, operations and financial performance. Our LMM 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;

review of material contracts;

in-depth industry, market and strategy analysis;

regulatory compliance analysis; and

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

Due diligence on a proposed Middle Market investment is generally performed on materials and information obtained from certain external resources and assessed internally by a minimum of two of our investment professionals, who work to understand the relationships among the prospective portfolio company's business plan, operations and financial performance using the accumulated due diligence information. Our Middle Market due diligence review includes some or all of the following:

detailed review of historical and projected financial statements;

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

regulatory compliance analysis; and

detailed review of the company's management team and their capabilities.

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.

### ***Document and Close***

Upon completion of a satisfactory due diligence review of a proposed LMM portfolio investment, 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:



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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;

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an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections;

regulatory compliance analysis findings; and

detailed reconciliations of historical to pro forma results.

Upon completion of a satisfactory due diligence review of a proposed Middle Market portfolio investment, the investment team presents the findings and a recommendation to our credit 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;

an analysis of the company's business strategy;

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

regulatory compliance analysis findings; and

an analysis of historical financial results and key financial ratios.

If any adjustments to the transaction terms or structures are proposed by the investment committee or credit committee, as applicable, such changes are made and applicable analyses are updated prior to approval of the transaction. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee or credit committee, as applicable, with the committee member managing the transaction, if any, abstaining from the vote. 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 investment 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 Middle Market portfolio investments; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to our LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

We utilize an internally developed investment rating system to rate the performance of each LMM portfolio company and to monitor our expected level of returns on each of our LMM investments in relation to our expectations for the portfolio company. The investment rating system takes into consideration various factors, including, but not limited to, each investment's expected level of returns, the collectability of our debt investments and the ability to receive a return of the invested capital in our equity investments, comparisons

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to competitors and other industry participants, the portfolio company's future outlook and other factors that are deemed to be significant to the portfolio company.

*Investment Rating 1* represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.

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

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

*Investment Rating 4* represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us.

*Investment Rating 5* represents a LMM 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 LMM portfolio investments receive an initial Investment Rating of 3.

***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 Middle Market 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 INVESTMENT 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.

We are required to report our investments at fair value. As a result, the most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. We follow the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact.

We determine in good faith the fair value of our Investment Portfolio 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. Our valuation policies and processes are intended to provide a consistent basis for determining the fair value of our Investment Portfolio. See "Note B.1. Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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Due to the inherent uncertainty in the valuation process, our determination of fair value for our Investment Portfolio may differ materially from the values that would have been determined had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on these investments to be materially different than the valuations 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 determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. In addition, the Audit Committee of our Board of Directors periodically evaluates the performance and methodologies of the financial advisory services firm that we consult in connection with valuing our LLM portfolio company investments.

Our quarterly valuation process begins with each LMM and Private Loan portfolio company investment being initially valued by the investment team responsible for monitoring the portfolio investment;

The fair value determination for our Middle Market and Other Portfolio debt and equity investments and our investment in the External Investment Manager consists of unobservable and observable inputs which are initially reviewed by the investment professionals responsible for monitoring the portfolio investment;

Preliminary valuation conclusions are then reviewed by and discussed with senior management, and the investment team considers and assesses, as appropriate, any changes that may be required to the preliminary valuations to address any comments provided by senior management;

A nationally recognized independent financial advisory services firm performs certain mutually agreed upon limited procedures on a selection of management's LMM portfolio company valuation conclusions;

The Audit Committee of our Board of Directors reviews management's valuations, and the investment team and senior management consider and assess, as appropriate, any changes that may be required to management's valuations to address any comments provided by the Audit Committee; and

The Board of Directors assesses the valuations and ultimately approves the fair value of each investment in our portfolio in good faith.

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

**COMPETITION**

We compete for investments with a number of investment funds (including private equity funds, mezzanine funds, BDCs, and 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 are larger and have more resources available to them. We believe we are able to be competitive with these entities primarily on the basis of our focus toward the underserved LMM, 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

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face, see "Risk Factors Risks Related to Our Business and Structure We may face increasing competition for investment opportunities".

**EMPLOYEES**

As of December 31, 2015, we had 50 employees. 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.

**REGULATION**

*Regulation as a Business Development Company*

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the members of the board of directors of a BDC be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) more than 50% of our outstanding voting securities.

*Qualifying Assets*

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company (as defined below), or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC.
- (2) Securities of any eligible portfolio company that we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

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In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

An eligible portfolio company is defined in the 1940 Act as any issuer which:

- (a) is organized under the laws of, and has its principal place of business in, the United States;
- (b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- (c) satisfies any of the following:
  - (i) does not have any class of securities that is traded on a national securities exchange or has a class of securities listed on a national securities exchange but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million;
  - (ii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
  - (iii) is a small and solvent company having total assets of not more than \$4 million and capital and surplus of not less than \$2 million.

*Managerial Assistance to Portfolio Companies*

As noted above, a BDC must be operated for the purpose of making investments in the type of securities described in (1), (2) or (3) above under the heading entitled "Qualifying Assets." In addition, BDCs must generally offer to make available to such issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

*Temporary Investments*

Pending investment in "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. government securities and high quality debt securities maturing in one year or less from time of investment therein, so that 70% of our assets are qualifying assets.

*Senior Securities*

We are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% of all debt and/or senior stock immediately after each such issuance. In addition, while any senior securities remain outstanding (other than senior securities representing indebtedness issued in consideration of a privately arranged loan which is not intended to be publicly distributed), we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors Risks Relating to Our Business and Structure," including, without limitation, "Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us."

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We have previously received an exemptive order from the SEC to exclude debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to Main Street. The exemptive order provides for the exclusion of all debt securities issued by the Funds, including the \$225.0 million of currently outstanding debt, related to their participation in the SBIC program. This exemptive order provides us with expanded capacity and flexibility in obtaining future sources of capital for our investment and operational objectives.

*Common Stock*

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2015 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock, and we do not currently expect to seek such approval at our 2016 annual meeting of stockholders for the same reason. Our stockholders have previously approved a proposal that authorizes us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. See "Risk Factors Risks Relating to Our Business and Structure Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock."

*Code of Ethics*

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the code of ethics is available on the EDGAR Database on the SEC's Web site at <http://www.sec.gov>.

*Proxy Voting Policies and Procedures*

We vote proxies relating to our portfolio securities in a manner in which we believe is consistent with the best interest of our stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although we generally vote against proposals that we expect would have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the investment team which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision-making process to disclose to our chief compliance officer any potential conflict of which he or she is aware and any contact that he or she has had with any interested party regarding a proxy vote and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.



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Stockholders may obtain information, without charge, regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 1300 Post Oak Boulevard, 8th floor, Houston, Texas 77056.

*Other 1940 Act Regulations*

We are also prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board of Directors who are not interested persons and, in some cases, prior approval by the SEC.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and to designate a chief compliance officer to be responsible for administering the policies and procedures.

We may be periodically examined by the SEC for compliance with the 1940 Act.

*Small Business Investment Company Regulations*

Each of the Funds is licensed by the SBA to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958. MSMF obtained its SBIC license in 2002. MSC II obtained its license in 2006.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBIC regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Each of the Funds has typically invested in secured debt, acquired warrants and/or made equity investments in qualifying small businesses.

Under present SBIC regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding \$19.5 million and have average annual net income after U.S. federal income taxes not exceeding \$6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding \$6 million and have average annual net income after U.S. federal income taxes not exceeding \$2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBIC regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it generally may continue to make follow on investments in the company, regardless of the size of the portfolio company at the time of the follow on investment, up to the time of the portfolio company's initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the United States, to businesses engaged in a few prohibited industries, and to certain "passive" (non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one portfolio company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio

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company). Included in such limitations are SBA regulations which allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of equity of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately-raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest, do not require any principal payments prior to maturity, and are not subject to prepayment penalties. As of December 31, 2015, we, through the Funds, had \$225.0 million of outstanding SBA-guaranteed debentures, which had an annual weighted-average interest rate of approximately 4.2%.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the United States government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine their compliance with SBIC regulations and are periodically required to file certain financial information and other documents with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

***Securities Exchange Act of 1934 and Sarbanes-Oxley Act Compliance***

We are subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the financial statements contained in our periodic reports;

pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;

pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, and our independent registered public accounting firm separately audits our internal control over financial reporting; and

pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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***The New York Stock Exchange Corporate Governance Regulations***

The New York Stock Exchange ("NYSE") has adopted corporate governance regulations that listed companies must comply with. We believe we are in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we stay in compliance.

***Investment Adviser Regulations***

The External Investment Manager, which is wholly owned by us, is subject to regulation under the Advisers Act. The Advisers Act establishes, among other things, recordkeeping and reporting requirements, disclosure requirements, limitations on transactions between the adviser's account and an advisory client's account, limitations on transactions between the accounts of advisory clients, and general anti-fraud prohibitions. The External Investment Manager may be examined by the SEC from time to time for compliance with the Advisers Act.

***Taxation as a Regulated Investment Company***

MSCC has elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code (the "Code"). MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any income that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary taxable income plus the excess of realized net short-term capital gains over realized net long-term capital losses, and 90% of our tax exempt income (the "Annual Distribution Requirement").

For any taxable year in which we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our income or capital gains we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed 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, exclude amounts carried over into the following year, and include 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% U.S. federal excise tax based on 98% of our annual taxable income and 98.2% of our capital gain net income in excess of distributions for the year.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

continue to qualify as a BDC under the 1940 Act at all times during each taxable year;

derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain "qualified publicly traded partnerships," or other income derived with respect to our business of investing in such stock or securities (the "90% Income Test"); and

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diversify our holdings so that at the end of each quarter of the taxable year:

at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and

no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain "qualified publicly traded partnerships" (collectively, the "Diversification Tests").

In order to comply with the 90% Income Test, we formed the Taxable Subsidiaries as wholly owned taxable subsidiaries, for the primary purpose of permitting us to own equity interests in portfolio companies which are "pass through" entities for tax purposes. Absent the taxable status of the Taxable Subsidiaries, a portion of the gross income from such portfolio companies would flow directly to us for purposes of the 90% Income Test. To the extent such income did not consist of income derived from securities, such as dividends and interest, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant U.S. federal income taxes. The Taxable Subsidiaries are consolidated with Main Street for generally accepted accounting principles in the United States of America ("U.S. GAAP") purposes and are included in our consolidated financial statements, and the portfolio investments held by the Taxable Subsidiaries are included in our consolidated financial statements. 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 the portfolio investments. The income tax expense, or benefit, if any, and any related tax assets and liabilities, are reflected in our consolidated financial statements.

In order to comply with the 90% Income Test, the External Investment Manager and MSCP have elected to be taxable entities. Absent the taxable status of the External Investment Manager and MSCP, the gross income from the External Investment Manager and MSCP would flow directly to us for purposes of the 90% Income Test. Since such income would likely not consist of income derived from securities, such as dividends and interest, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant U.S. federal income taxes. The External Investment Manager is accounted for as a portfolio investment for U.S. GAAP purposes. Beginning April 1, 2013, MSCP is consolidated with Main Street for U.S. GAAP purposes and included in our consolidated financial statements and any income tax expense, or benefit, and any related tax assets and liabilities of MSCP are reflected in our consolidated financial statements. The External Investment Manager and MSCP are not consolidated with MSCC for income tax purposes and may generate income tax expense, or benefit, as a result of their operating activities.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants) and debt securities invested in at a discount to par, we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash such as PIK interest, cumulative dividends or amounts that are received in non-cash compensation such as warrants or stock. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders in certain circumstances while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation Regulation as a

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Business Development Company Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as (i) ordinary income (including any qualified dividend income that, in the case of a noncorporate stockholder, may be eligible for the same reduced maximum tax rate applicable to long-term capital gains to the extent such distribution is properly reported by us as qualified dividend income and such stockholder satisfies certain minimum holding period requirements with respect to our stock) or (ii) long-term capital gain (to the extent such distribution is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

***Failure to Qualify as a RIC***

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level U.S. federal taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. If we were subject to tax on all of our taxable income at regular corporate rates, then distributions we make after being subject to such tax would be taxable to our stockholders and, provided certain holding period and other requirements were met, could qualify for treatment as "qualified dividend income" eligible for the maximum 20% rate (plus a 3.8% Medicare surtax, if applicable) applicable to qualified dividends to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 10 years, unless we made a special election to pay corporate-level tax on such built-in gain at the time of our requalification as a RIC.

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**Item 1A. Risk Factors**

*Investing in our securities involves a number of significant risks. In addition to the other information contained in this Annual Report on Form 10-K, you should consider carefully the following information before making an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value, the trading price of our common stock and the value of our other securities could decline, and you may lose all or part of your investment.*

**RISKS RELATING TO ECONOMIC CONDITIONS**

***Deterioration in the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Such 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 fundamentals of the United States economy remain mixed, and unemployment remains uncertain. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, a prolonged continuation of the current decline in oil and natural gas prices would adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy related businesses. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles 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 through the Credit Facility, periodic follow on equity offerings, public debt issuances and the leverage available through the SBIC program, the potential for volatility in the debt and 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. Further, if the price of our common stock falls below our net asset value per share, we will be limited in our ability to sell new shares if we do not have stockholder authorization to sell shares at a price below net asset value per share. We do not currently have such stockholder authorization, and we do not intend to seek such stockholder authorization at our 2016 stockholder meeting.

**RISKS RELATING TO OUR BUSINESS AND STRUCTURE**

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

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and our valuation procedures. Typically, there is not a public market for the securities of the privately held LMM or Private Loan companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management, a nationally recognized independent financial advisory services firm (on a rotational basis) and our audit committee with the oversight, review and approval of our Board of Directors. In addition, the market for investments in Middle Market companies is generally not a liquid market, and therefore, we primarily use a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs, which are reviewed by our audit committee with

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the oversight, review and approval of our Board of Directors. See "Note B.1. Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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

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

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

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

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

***We may face increasing competition for investment opportunities.***

We compete for investments with other investment funds (including private equity funds, debt funds, mezzanine funds, CLOs, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we are forced to

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match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. A significant part of our competitive advantage stems from the fact that the market for investments in LMM companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

We depend on the members of our investment team, particularly Vincent D. Foster, Dwayne L. Hyzak, Curtis L. Hartman, David L. Magdol, Travis L. Haley, Nicholas T. Meserve, and Rodger A. Stout for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Although we have entered into a non-compete agreement with Mr. Foster, we have no guarantee that he or any other employees will remain employed with us. If we lose the services of these individuals, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

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

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

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

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

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

***There are significant potential conflicts of interest which could impact our investment returns.***

Our executive officers and employees, through the External Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders. During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, which is the investment advisor to HMS Income, a non publicly-traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment



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advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. We and the External Investment Manager agreed to waive all such fees from the effective date of HMS Adviser's registration statement on Form N-2 through December 31, 2013. As a result, as of December 31, 2013, neither we nor the External Investment Manager had received any base management fee or incentive fees under the investment sub-advisory agreement and neither was due any unpaid compensation for any base management fee or incentive fees under the investment sub-advisory agreement through December 31, 2013. The External Investment Manager began accruing such fees on January 1, 2014. The sub-advisory relationship requires us to commit resources to achieving HMS Income's investment objective, while such resources were previously solely devoted to achieving our investment objective. Our investment objective and investment strategies are very similar to those of HMS Income and it is likely that an investment appropriate for us or HMS Income would be appropriate for the other entity. As a result, we and HMS Income requested an exemptive order from the SEC permitting co-investments by us and HMS Income in certain negotiated transactions where our co-investing would otherwise be prohibited under the 1940 Act. The SEC granted the exemptive order in April 2014, and we have made, and in the future intend to continue to make, such co-investments with HMS Income in accordance with the conditions of the order. The order requires, among other things, that we and the External Investment Manager consider whether each such investment opportunity is appropriate for HMS Income and, if it is appropriate, to propose an allocation of the investment opportunity between us and HMS Income. As a consequence, it may be more difficult for us to maintain or increase the size of our Investment Portfolio in the future. Although we will endeavor to allocate investment opportunities in a fair and equitable manner, including in accordance with the conditions set forth in the exemptive order issued by the SEC when relying on such order, we may face conflicts in allocating investment opportunities between us and HMS Income. Because the External Investment Manager may receive performance-based fee compensation from HMS Income, this may provide an incentive to allocate opportunities to HMS Income instead of us. We have implemented an allocation policy to ensure the equitable distribution of investment opportunities and, as a result, may be unable to participate in certain investments based upon such allocation policy.

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

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

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

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we will be prohibited from issuing debt securities or preferred stock and/or borrowing money from banks or other financial institutions and may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.

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

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

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

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

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

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

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

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

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

Borrowings, also known as leverage, magnify the potential for loss on investments in our indebtedness and gain or loss on investments in our equity capital. As we use leverage to partially finance our investments,

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you will experience increased risks of investing in our securities. 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 securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources" for a discussion regarding our outstanding indebtedness. 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 decrease in our income would cause net investment income to decline more sharply than it would have had we not leveraged our business. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Use of leverage is generally considered a speculative investment technique.

As of December 31, 2015, we, through the Funds, had \$225.0 million of outstanding indebtedness guaranteed by the SBA, which had a weighted-average annualized interest cost of approximately 4.2%. The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted-average remaining maturity of 5.6 years as of December 31, 2015, 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, 2015, we had \$291.0 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis at a rate equal to the applicable LIBOR rate (0.24% as of December 31, 2015) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.50% as of December 31, 2015) plus 0.875%), as long as we maintain an investment grade rating and meet certain agreed upon excess collateral and maximum leverage requirements, (ii) 2.0% (or the applicable base rate plus 1.0%) if we maintain an investment grade rating but do not meet certain excess collateral and maximum leverage requirements or (iii) 2.25% (or the applicable base rate plus 1.25%) if we do not maintain an investment grade rating. We pay unused commitment fees of 0.25% per annum on the 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.

In April 2013, we issued \$92.0 million in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). As of December 31, 2015, the outstanding balance of the 6.125% Notes was \$90.7 million. The 6.125% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year.

In November 2014, we issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes" and, together with the 6.125% Notes, the "Notes") at an issue price of 99.53%. As of December 31, 2015, the outstanding balance of the 4.50% Notes was \$175.0 million. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our

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subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions.

*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(2) | (20.3)% | (11.5)% | (2.8)% | 6.0% | 14.8% |

(1) Assumes \$1,878.9 million in total assets, \$781.7 million in debt outstanding, \$1,070.9 million in net assets, and a weighted-average interest rate of 3.8%. Actual interest payments may be different.

(2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our December 31, 2015 total assets of at least 1.6%.

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, by borrowing from banks or insurance companies or by issuing other debt securities and there can be no assurance that such additional leverage can in fact be achieved.

***All of our assets are subject to security interests under our secured Credit Facility or subject to a superior claim over our stockholders by the SBA and if we default on our obligations under the Credit Facility or with respect to our SBA-guaranteed debentures, we may suffer adverse consequences, including foreclosure on our assets.***

Substantially all of our assets are currently pledged as collateral under our Credit Facility or are subject to a superior claim over our stockholders by the SBA. If we default on our obligations under the Credit Facility or our SBA-guaranteed debentures, the lenders and/or the SBA may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated. As a result, we could be forced to curtail or cease new investment activities and lower or eliminate the dividends that we have historically paid to our stockholders. In addition, if the lenders exercise their right to sell the assets pledged under our Credit Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Credit Facility.

***Previously proposed legislation may allow us to incur additional leverage.***

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). Legislation introduced in the U.S. House of Representatives during the 114th Congress proposed to modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%. If such legislation is passed, we may be able to incur additional indebtedness in the future and, therefore, your risk of an investment in our securities may increase.

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In addition, in December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million. This new legislation may allow us to issue additional SBIC debentures, subject to SBA approval, above the \$225.0 million that we, through the Funds, have outstanding as of December 31, 2015. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase.

***Further downgrades of the U.S. credit rating, automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.***

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***It is unclear how increased regulatory oversight and changes in the method for determining LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.***

As a result of concerns about the accuracy of the calculation of LIBOR, a number of British Bankers' Association, or BBA, member banks entered into settlements with certain regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR, and there are ongoing investigations by regulators and governmental authorities in various jurisdictions. Following a review of LIBOR conducted at the request of the U.K. government, on September 28, 2012, recommendations for reforming the setting and governing of LIBOR were released, which are referred to as the Wheatley Review. The Wheatley Review made a number of recommendations for changes with respect to LIBOR, including the introduction of S-5 statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the BBA to an independent administrator, changes to the method of the compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate-setting and a reduction in the number of currencies and tenors for which LIBOR is published. Based on the Wheatley Review and on a subsequent public and governmental consultation process, on March 25, 2013, the U.K. Financial Services Authority published final rules for the U.K. Financial Conduct Authority's regulation and supervision of LIBOR, which are referred to as the FCA Rules. In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. The FCA Rules took effect on April 2, 2013, and on July 9, 2013, NYSE Euronext was chosen to serve as the independent LIBOR administrator commencing in 2014. It is uncertain what additional regulatory changes or what changes, if any, in the method of determining LIBOR may be required or made by the U.K. government or other governmental or regulatory authorities. Accordingly, uncertainty as to the nature of such changes may adversely affect the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

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***We may experience fluctuations in our quarterly results.***

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

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

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

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

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

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see "Business Regulation Taxation as a Regulated Investment Company." Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. In addition, because we receive non-cash sources of income such as PIK interest which involves us recognizing income without receiving the cash representing such income, we may have difficulty meeting the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

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

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

Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and

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therefore will be illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Moreover, if we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

***We may not be able to pay distributions to our stockholders, our distributions may not grow over time, and a portion of distributions paid to our stockholders may be a return of capital, which is a distribution of the stockholders' invested capital.***

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

When we make distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for federal tax purposes, which may result in higher tax liability when the shares are sold, even if they have not increased in value or have lost value. In addition, any return of capital will be net of any sales load and offering expenses associated with sales of shares of our common stock. In the future, our distributions may include a return of capital.

***We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income.***

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument, if we invest in a debt investment at a discount to the par value of the debt security or possibly in other circumstances; (ii) contractual payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term, subject to adequate profitability at the portfolio company; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the year ended December 31, 2015, (i) approximately 2.2% of our total investment income was attributable to PIK income not paid currently in cash, (ii) approximately 1.0% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 1.0% of our total investment income was attributable to cumulative dividend income not paid currently in cash, and (iv) approximately 1.6% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to maintain RIC tax

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treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax. For additional discussion regarding the tax implications of a RIC, please see "Business Regulation Taxation as a Regulated Investment Company."

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

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The IRS has issued private letter rulings providing that a dividend payable in stock or in cash at the election of the stockholders will be treated as a taxable dividend eligible for the dividends paid deduction provided that at least 20% of the total dividend is payable in cash and certain other requirements are satisfied. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such dividend is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

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

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

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

In order to satisfy the requirements applicable to a RIC and to minimize corporate-level taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income. We may carry forward excess undistributed taxable income into the next year, net of the 4% excise tax. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. As a BDC, we generally are required to meet an asset coverage ratio, as defined in the 1940 Act, of at least 200% immediately after each issuance of senior



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securities. This requirement limits the amount that we may borrow and may prohibit us from making distributions. Because we will continue to need capital to grow our Investment Portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

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

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

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock at a price below the then current net asset value per share at our 2015 annual meeting of stockholders. As such, we do not currently have such stockholder authorization, and we do not currently intend to seek the stockholder authorization to issue our common stock at a price below net asset value per share at our 2016 annual meeting of stockholders because our common stock price per share has been trading significantly above the current net asset value per share of our common stock. We may, however, seek such authorization at future annual or special meetings of stockholders. Our stockholders have previously approved a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or purchase shares of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

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

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

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

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following the sale of 40,000 shares of the common stock of Company XYZ at \$9.50 per share, a price below its NAV per share.

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

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

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

We, the Funds, and our portfolio companies are subject to applicable local, state and federal laws and regulations, including, without limitation, federal immigration laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage, through the Funds, and therefore, our ability to compete with other finance companies.

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

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

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

***We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.***

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become

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disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

sudden electrical or telecommunications outages;

natural disasters such as earthquakes, tornadoes and hurricanes;

disease pandemics;

events arising from local or larger scale political or social matters, including terrorist acts; and

cyber attacks.

**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;

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.

*Continuation of the current decline in oil and natural gas prices for a prolonged period of time could have a material adverse effect on us.*

A prolonged continuation of the current decline in oil and natural gas prices would adversely affect (i) the credit quality of our debt investments and (ii) the underlying operating performance of our equity investments in energy-related businesses and in geographic areas which are more sensitive to the health of the

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oil and gas industries. A decrease in credit quality and the operating performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should the current decline in oil and natural gas prices persist, it is likely that the ability of these investments to satisfy financial or operating covenants imposed by us or other lenders will be adversely affected, thereby negatively impacting their financial condition and their ability to satisfy their debt service and other obligations to us. Likewise, should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies' and other affected companies' cash flow and profit generating capacities would also be adversely affected thereby negatively impacting their ability to pay us dividends or distributions on our equity investments.

***We may be exposed to higher risks with respect to our investments that include original issue discount or PIK interest.***

Our investments may include original issue discount and contractual PIK interest, which represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent original issue discount or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

original issue discount and PIK instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;

original issue discount and PIK accruals may create uncertainty about the source of our distributions to stockholders;

original issue discount and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and

original issue discount and PIK instruments may represent a higher credit risk than coupon loans.

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

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

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

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

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

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

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

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

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

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

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Finally, the value of the collateral securing our debt investment will ultimately depend on market and economic conditions, the availability of buyers and other factors. Therefore, there can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by our first or second priority liens. There is also a risk that such collateral securing our investments will decrease in value over time, will be difficult to sell in a timely manner, will be difficult to appraise and will fluctuate in value based upon the success of the portfolio company and market conditions. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by our second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

***We generally will not control our portfolio companies.***

We do not, and do not expect to, control the decision making in many of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest will make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, will take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that would decrease the value of our portfolio holdings.

***Defaults by our portfolio companies will harm our operating results.***

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to non-payment of interest and other defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

***Any unrealized depreciation we experience in our portfolio may be an indication of future realized losses, which could reduce our income and gains available for distribution.***

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Board of Directors. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to affected loans or a potential impairment of the value of affected equity investments. This could result in realized losses in the future and ultimately in reductions of our income and gains available for distribution in future periods.

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***Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.***

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our securities.

***Changes in interest rates may affect our cost of capital, net investment income and value of our investments.***

Some of our debt investments will bear interest at variable rates and may be negatively affected by changes in market interest rates. An increase in market interest rates would increase the interest costs and reduce the cash flows of our portfolio companies that have variable rate debt instruments, a situation which could reduce the value of the investment. The value of our investments could also be reduced from an increase in market interest rates as rates available to investors could make an investment in our securities less attractive than alternative investments. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Conversely, decreases in market interest rates could negatively impact the interest income from our variable rate debt investments. A decrease in market interest rates may also have an adverse impact on our returns by requiring us to accept lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates.

***We may not realize gains from our equity investments.***

Certain investments that we have made in the past and may make in the future include warrants or other equity securities. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, we may from time to time make non-control, equity investments in portfolio companies. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer; however, we may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress.

***Our Marketable securities and idle funds investments are subject to risks similar to our portfolio company investments.***

Marketable securities and idle funds investments can include, among other things, secured and unsecured debt investments, independently rated debt investments, diversified bond funds and publicly traded debt and equity securities. 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 our portfolio companies. See " Our investments in portfolio companies involve higher levels



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of risk, and we could lose all or part of our investment." 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 " The lack of liquidity in our investments may adversely affect our business" 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.

***Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.***

Our investments in foreign securities may involve significant risks in addition to the risks inherent in investments in U.S. securities. Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in securities of U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments will be U.S. dollar denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

**RISKS RELATING TO OUR SECURITIES**

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

Shares of closed-end investment companies, including BDCs, may trade at a discount to net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, 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. See " Risks Relating to Our Business and Structure Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock" for a discussion related to us issuing shares of our common stock below net asset value.

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

Delays in investing the net proceeds raised in an offering or from exiting an investment or other capital may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of any offering or from exiting an investment or other

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capital on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we will invest the capital primarily in Marketable securities and idle funds investments, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

***Investing in our securities may involve an above average degree of risk.***

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

***The market price of our securities may be volatile and fluctuate significantly.***

Fluctuations in the trading prices of our securities may adversely affect the liquidity of the trading market for our securities and, if we seek to raise capital through future securities offerings, our ability to raise such capital. The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs, BDCs or SBICs;

the exclusion of our common stock from certain market indices, such as what happened with respect to the Russell indices and the Standard and Poor's indices, could reduce the ability of certain investment funds to own our common stock and limit the number of owners of our common stock and otherwise negatively impact the market price of our common stock;

inability to obtain any exemptive relief that may be required by us in the future from the SEC;

loss of our BDC or RIC status or either of the Funds' status as an SBIC;

changes in our earnings or variations in our operating results;

changes in the value of our portfolio of investments;

any shortfall in our investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;

loss of a major funding source;

fluctuations in interest rates;

the operating performance of companies comparable to us;

departure of our key personnel;

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global or national credit market changes; and

general economic trends and other external factors.

***Provisions of the Maryland General Corporation Law and our articles of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.***

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our company or the removal of our incumbent directors. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third-party bids for ownership of our company. These provisions may prevent any premiums being offered to you for our common stock.

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

The Notes are not secured by any of our assets or any of the assets of our subsidiaries and rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of December 31, 2015, we had \$291.0 million outstanding under the Credit Facility out of \$555.0 million in commitments. The indebtedness under the Credit Facility is senior to the Notes to the extent of the value of the assets securing such indebtedness.

***The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.***

The Notes are obligations exclusively of Main Street Capital Corporation and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes, and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. In addition, several of our subsidiaries, specifically the Funds, maintain significant indebtedness and as a result the Notes are structurally subordinated to the indebtedness of these subsidiaries. For example, as of December 31, 2015, the Funds had collectively issued \$225.0 million of SBA-guaranteed debentures, which are included in our consolidated financial statements. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for more detail on the SBA-guaranteed debentures.

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

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***The Notes may or may not have an established trading market. If a trading market in the Notes is developed, it may not be maintained.***

The Notes may or may not have an established trading market. If a trading market in the Notes is developed, it may not be maintained. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, our financial condition or other relevant factors. Accordingly, we cannot assure you that a liquid trading market has been or will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop or is not maintained, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. We undertake no obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. The 4.50% Notes are currently rated by Standard & Poor's Ratings Services. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

***The indentures under which the Notes were issued contain limited protection for holders of the Notes.***

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

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

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

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

enter into transactions with affiliates;

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

make investments; or

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

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

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

Other debt we issue or incur in the future could contain more protections for its holders than the indentures and the Notes, including additional covenants and events of default. For example, the indentures under which the Notes are issued do not contain cross-default provisions that are contained in the Credit Facility. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

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

The 4.50% Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option. The 6.125% Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option, on or after April 1, 2018. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

***We may not be able to repurchase the 4.50% Notes upon a Change of Control Repurchase Event.***

We may not be able to repurchase the 4.50% Notes upon certain change in control events described in the indenture under which the 4.50% Notes were issued (each, a "Change of Control Repurchase Event") because we may not have sufficient funds. Upon a Change of Control Repurchase Event, holders of the 4.50% Notes may require us to repurchase for cash some or all of the 4.50% Notes at a repurchase price equal to 100% of the aggregate principal amount of the 4.50% Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. The terms of our Credit Facility provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility. In addition, the occurrence of a Change of Control Repurchase Event enabling the holders of the 4.50% Notes to require the mandatory purchase of the 4.50% Notes would constitute an event of default under our Credit Facility entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility. Our and our subsidiaries' future financing facilities may contain similar restrictions and provisions. Our failure to purchase such tendered 4.50% Notes upon the occurrence of such Change of Control Repurchase Event would cause an event of default under the indenture governing the 4.50% Notes and a cross-default under the agreements governing certain of our other indebtedness, which



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may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If a Change of Control Repurchase Event were to occur, we may not have sufficient funds to repay any such accelerated indebtedness.

*If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.*

As of December 31, 2015, we had approximately \$781.7 million of indebtedness, including \$291.0 million outstanding under the Credit Facility, \$225.0 million outstanding from SBA-guaranteed debentures, approximately \$90.7 million of the 6.125% Notes and \$175.0 million of the 4.50% Notes outstanding. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, under the Notes or under other indebtedness to which we may be a party that is not waived by the required lenders or debt holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs.

If our operating performance declines and we are not able to generate sufficient cash flow to service our debt obligations, we may in the future need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the required lenders under the Credit Facility or the required holders of the Notes or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt. If we breach our covenants under the Credit Facility, the Notes or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or debt holders. If this occurs, we would be in default under the Credit Facility, the Notes or other debt, the lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, the Credit Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *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.



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**Item 3. *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 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.

**Item 4. *Mine Safety Disclosures***

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****PRICE RANGE OF COMMON STOCK, HOLDERS 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 during 2015 and 2014, the range of high and low closing prices of our common stock as reported on the NYSE.

|                  | High     | Low      |
|------------------|----------|----------|
| Fiscal year 2015 |          |          |
| Fourth quarter   | \$ 32.28 | \$ 27.69 |
| Third quarter    | \$ 33.08 | \$ 26.38 |
| Second quarter   | \$ 32.59 | \$ 30.47 |
| First quarter    | \$ 31.47 | \$ 27.87 |
| Fiscal year 2014 |          |          |
| Fourth quarter   | \$ 32.68 | \$ 27.48 |
| Third quarter    | \$ 32.87 | \$ 30.38 |
| Second quarter   | \$ 33.54 | \$ 29.55 |
| First quarter    | \$ 35.69 | \$ 32.23 |
| Fiscal year 2013 |          |          |

On February 25, 2016 the last sale price of our common stock on the NYSE was \$28.12 per share, and there were approximately 200 holders of record of the common stock which did not include stockholders for whom shares are held in "nominee" or "street name."

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 per share or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below net asset value per share. Since our IPO in October 2007, our shares of common stock have traded at prices both less than and exceeding our net asset value per share.

We currently pay regular monthly dividends and semi-annual supplemental dividends to our stockholders. Our monthly dividends, if any, will be determined by our Board of Directors on a quarterly basis. Our semi-annual supplemental dividends, if any, will be determined by our Board of Directors based upon our undistributed taxable income. The following table summarizes our dividends declared to date:

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| Date Declared           | Record Date       | Payment Date      | Amount(1)   |
|-------------------------|-------------------|-------------------|-------------|
| <b>Fiscal year 2016</b> |                   |                   |             |
| February 23, 2016       | May 20, 2016      | June 15, 2016     | \$ 0.180    |
| February 23, 2016       | April 21, 2016    | May 16, 2016      | \$ 0.180    |
| February 23, 2016       | March 21, 2016    | April 15, 2016    | \$ 0.180    |
| November 3, 2015        | February 22, 2016 | March 15, 2016    | \$ 0.180    |
| November 3, 2015        | January 22, 2016  | February 17, 2016 | \$ 0.180    |
| November 3, 2015        | December 30, 2015 | January 15, 2016  | \$ 0.180(2) |
|                         |                   |                   | \$ 1.080    |

|                         |                    |                    |             |
|-------------------------|--------------------|--------------------|-------------|
| <b>Fiscal year 2015</b> |                    |                    |             |
| October 20, 2015        | December 17, 2015  | December 24, 2015  | \$ 0.275(2) |
| August 3, 2015          | November 20, 2015  | December 14, 2015  | \$ 0.180(2) |
| August 3, 2015          | October 21, 2015   | November 16, 2015  | \$ 0.180(2) |
| August 3, 2015          | September 21, 2015 | October 15, 2015   | \$ 0.180(2) |
| May 5, 2015             | August 20, 2015    | September 15, 2015 | \$ 0.175(2) |
| May 5, 2015             | July 21, 2015      | August 14, 2015    | \$ 0.175(2) |
| May 5, 2015             | July 1, 2015       | July 15, 2015      | \$ 0.175(2) |
| April 22, 2015          | June 18, 2015      | June 25, 2015      | \$ 0.275(2) |
| February 24, 2015       | May 20, 2015       | June 15, 2015      | \$ 0.175(2) |
| February 24, 2015       | April 21, 2015     | May 15, 2015       | \$ 0.175(2) |
| February 24, 2015       | March 20, 2015     | April 15, 2015     | \$ 0.175(2) |
| November 6, 2014        | February 20, 2015  | March 16, 2015     | \$ 0.170(2) |
| November 6, 2014        | January 21, 2015   | February 13, 2015  | \$ 0.170(2) |
| November 6, 2014        | December 31, 2014  | January 15, 2015   | \$ 0.170(3) |
| Total                   |                    |                    | \$ 2.650    |

|                         |                    |                    |             |
|-------------------------|--------------------|--------------------|-------------|
| <b>Fiscal year 2014</b> |                    |                    |             |
| October 23, 2014        | December 18, 2014  | December 24, 2014  | \$ 0.275(3) |
| August 4, 2014          | November 20, 2014  | December 15, 2014  | \$ 0.170(3) |
| August 4, 2014          | October 20, 2014   | November 14, 2014  | \$ 0.170(3) |
| August 4, 2014          | September 19, 2014 | October 15, 2014   | \$ 0.170(3) |
| May 6, 2014             | August 20, 2014    | September 15, 2014 | \$ 0.165(3) |
| May 6, 2014             | July 21, 2014      | August 15, 2014    | \$ 0.165(3) |
| May 6, 2014             | June 30, 2014      | July 15, 2014      | \$ 0.165(3) |
| April 21, 2014          | June 20, 2014      | June 25, 2014      | \$ 0.275(3) |
| February 26, 2014       | May 21, 2014       | June 16, 2014      | \$ 0.165(3) |
| February 26, 2014       | April 20, 2014     | May 15, 2014       | \$ 0.165(3) |
| February 26, 2014       | March 21, 2014     | April 15, 2014     | \$ 0.165(3) |
| November 6, 2013        | February 20, 2014  | March 14, 2014     | \$ 0.165(3) |

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|                  |                   |                   |    |          |
|------------------|-------------------|-------------------|----|----------|
| November 6, 2013 | January 21, 2014  | February 14, 2014 | \$ | 0.165(3) |
| November 6, 2013 | December 30, 2013 | January 15, 2014  | \$ | 0.165(4) |
| Total            |                   |                   | \$ | 2.545    |

**Fiscal year 2013**

|                   |                    |                    |    |          |
|-------------------|--------------------|--------------------|----|----------|
| November 20, 2013 | December 19, 2013  | December 24, 2013  | \$ | 0.250(4) |
| August 6, 2013    | November 21, 2013  | December 16, 2013  | \$ | 0.160(4) |
| August 6, 2013    | October 21, 2013   | November 15, 2013  | \$ | 0.160(4) |
| August 6, 2013    | September 20, 2013 | October 15, 2013   | \$ | 0.160(4) |
| May 13, 2013      | July 22, 2013      | July 26, 2013      | \$ | 0.200(4) |
| May 8, 2013       | May 21, 2013       | September 16, 2013 | \$ | 0.155(4) |
| May 8, 2013       | July 17, 2013      | August 15, 2013    | \$ | 0.155(4) |
| May 8, 2013       | June 18, 2013      | July 15, 2013      | \$ | 0.155(4) |
| March 5, 2013     | May 21, 2013       | June 14, 2013      | \$ | 0.155(4) |
| March 5, 2013     | April 19, 2013     | May 15, 2013       | \$ | 0.155(4) |
| March 5, 2013     | March 21, 2013     | April 15, 2013     | \$ | 0.155(4) |
| November 6, 2012  | February 21, 2013  | March 15, 2013     | \$ | 0.150(4) |
| November 6, 2012  | January 18, 2013   | February 15, 2013  | \$ | 0.150(4) |
| November 6, 2012  | January 4, 2013    | January 23, 2013   | \$ | 0.350(4) |
| November 6, 2012  | December 20, 2012  | January 15, 2013   | \$ | 0.150(5) |
| Total             |                    |                    | \$ | 2.660    |

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|                                       | <b>Amount(1)</b> |
|---------------------------------------|------------------|
| <b>Fiscal year 2012</b>               |                  |
| Total                                 | \$ 1.710(5),(6)  |
| <br>                                  |                  |
| <b>Fiscal year 2011</b>               |                  |
| Total                                 | \$ 1.560(6)      |
| <br>                                  |                  |
| <b>Fiscal year 2010</b>               |                  |
| Total                                 | \$ 1.500(7)      |
| <br>                                  |                  |
| <b>Fiscal year 2009</b>               |                  |
| Total                                 | \$ 1.500(8),(9)  |
| <br>                                  |                  |
| <b>Fiscal year 2008</b>               |                  |
| Total                                 | \$ 1.425(9)      |
| <br>                                  |                  |
| <b>Fiscal year 2007</b>               |                  |
| Total                                 | \$ 0.330(10)     |
| <br>                                  |                  |
| Cumulative dividends declared or paid | \$ 16.960        |

- 
- (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 tax rate applicable to "qualified dividend income" from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations.
- (2) These dividends attributable to fiscal year 2015 were comprised of ordinary income of \$2.325 per share, long term capital gain of \$0.231 per share, and qualified dividend income of \$0.105 per share, and included dividends with a record date during fiscal year 2015, including the dividend declared and accrued as of December 31, 2015 and paid on January 15, 2016, pursuant to the Code.
- (3) These dividends attributable to fiscal year 2014 were comprised of ordinary income of \$2.083 per share, long term capital gain of \$0.419 per share, and qualified dividend income of \$0.048 per share, and included dividends with a record date during fiscal year 2014, including the dividend declared and accrued as of December 31, 2014 and paid on January 15, 2015, pursuant to the Code.
- (4)

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These dividends attributable to fiscal year 2013 were comprised of ordinary income of \$1.872 per share, long term capital gain of \$0.346 per share, and qualified dividend income of \$0.457 per share, and included dividends with a record date during fiscal year 2013, including the dividend declared and accrued as of December 31, 2013 and paid on January 15, 2014, pursuant to the Code.

(5)

These dividends attributable to fiscal year 2012 were comprised of ordinary income of \$0.923 per share, long term capital gain of \$0.748 per share, and qualified dividend income of \$0.054 per share, and included dividends with a record date during fiscal year 2012, including the dividend declared and accrued as of December 31, 2012 and paid on January 15, 2013, pursuant to the Code.

(6)

These dividends attributable to fiscal year 2011 were comprised of ordinary income of \$1.253 per share, long term capital gain of \$0.373 per share, and qualified dividend income of \$0.069 per share, and included dividends with a record date during fiscal year 2011, including the dividend declared and accrued as of December 31, 2011 and paid on January 16, 2012, pursuant to the Code.

(7)

These dividends attributable to fiscal year 2010 were comprised of ordinary income of \$1.220 per share, long term capital gain of \$0.268 per share, and qualified dividend income of \$0.012 per share.

(8)

These dividends attributable to fiscal year 2009 were comprised of ordinary income of \$1.218 per share and long term capital gain of \$0.157 per share and excluded the \$0.125 paid on January 15, 2009 which had been declared and accrued as of December 31, 2008.

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- (9) These dividends attributable to fiscal year 2008 were comprised of ordinary income of \$0.953 per share and long term capital gain of \$0.597 per share, and included dividends with a record date during fiscal year 2008, including the \$0.125 per share dividend declared and accrued as of December 31, 2008 and paid on January 15, 2009, pursuant to the Code.
- (10) 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.

In accordance with the IRC sections 871(k) and 881(e), the following percentages represent the portion of our dividends that constitute interest-related dividends and short-term capital gains dividends for non-U.S. residents and foreign corporations. These percentages should be combined with the long-term capital gains discussed above to derive the total dividends which are exempt from United States withholding tax.

| Payment Dates               | <b>Interest-Related Dividends and<br/>Short-Term Capital Gain<br/>Dividends</b> |
|-----------------------------|---|
| From 2/13/2015 to 5/15/2015 | 69.29%  |
| 6/15/2015                   | 71.51%  |
| From 6/25/2015 to 1/15/2016 | 75.79%  |

To the extent non-U.S. resident taxes were withheld on ordinary dividends distributed, this information may be considered in connection with any claims for refund of such taxes to be filed by the non-U.S. resident shareholder with the Internal Revenue Service.

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 U.S. 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 taxable 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 a 4% U.S. federal excise tax on the amount by which 98% of our annual ordinary taxable income and 98.2% of capital gains exceeds our distributions for the year. 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.

We may distribute taxable dividends that are payable in part in our stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable by us in cash or in shares of stock (at the stockholders election) would satisfy the Annual Distribution Requirement. The IRS has issued private letter rulings providing that a dividend payable in stock or in cash at the election of the stockholders will be treated as a taxable dividend eligible for the dividends paid deduction provided that at least 20% of the total dividend is payable in cash and certain other requirements are satisfied. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such dividend is properly reported as a capital gain dividend), to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S.

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stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

We have adopted a dividend reinvestment plan ("DRIP") that provides for the reinvestment of dividends on behalf of our stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. The share requirements of the DRIP may be satisfied through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly-issued shares will be valued based upon the final closing price of MSCC's common stock on a valuation date determined for each dividend by our Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs.

**SALES OF UNREGISTERED SECURITIES**

During the year ended December 31, 2015, we issued a total of 636,079 shares of our common stock under the DRIP. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The aggregate value of the shares of our common stock issued under the DRIP during 2015 was approximately \$19.4 million.

**PURCHASES OF EQUITY SECURITIES**

None.



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**STOCK PERFORMANCE GRAPH**

The following graph compares the stockholder return on our common stock from October 5, 2007 to December 31, 2015 with the S&P 500 Index, the Russell 2000 Index, the KBW Regional Bank Index and the Main Street Peer Group index (as defined below). This comparison assumes \$100.00 was invested on October 5, 2007 (the date our common stock began to trade in connection with our initial public offering) in our common stock and in the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

**COMPARISON OF STOCKHOLDER RETURN(1)**

**Among Main Street Capital Corporation, the S&P 500 Index, the Russell 2000 Index, the KBW Regional Bank Index, and the Main Street Peer Group(2)**

**(For the Period October 5, 2007 to December 31, 2015)**

(1) Total return includes reinvestment of dividends through December 31, 2015.

(2) The Main Street Peer Group is composed of American Capital, Ltd., Apollo Investment Corporation, Ares Capital Corporation, BlackRock Capital Investment Corporation, Capitala Finance Corp., Fifth Street Finance Corp., Fifth Street Senior Floating Rate Corp., FS Investment Corporation, Gladstone Investment Corporation, Golub Capital BDC, Inc., Hercules Technology Growth Capital, Inc., Medallion Financial Corp., Medley Capital Corporation, MVC Capital, Inc., New Mountain Finance Corporation, PennantPark Investment Corporation, Prospect Capital Corporation, Solar Capital Ltd., TCP Capital Corp., THL Credit, Inc., TICC Capital Corp., Triangle Capital Corporation and TPG Specialty Lending, Inc.

Table of Contents**Item 6. Selected Financial Data**

The selected financial and other data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this Annual Report on Form 10-K.

|   | Years Ended December 31,                         |                   |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|
|   | 2015   | 2014              | 2013              | 2012              | 2011              |
|   | (dollars in thousands, except per share amounts) |                   |                   |                   |                   |
| <b>Statement of operations data:</b>  |  |                   |                   |                   |                   |
| Investment income:  |  |                   |                   |                   |                   |
| Total interest, fee and dividend income   | \$ 163,603                                       | \$ 139,939        | \$ 115,158        | \$ 88,858         | \$ 65,045         |
| Interest from idle funds and other  | 986  | 824               | 1,339             | 1,662             | 1,195             |
| <b>Total investment income</b>  | <b>164,589</b>                                   | <b>140,763</b>    | <b>116,497</b>    | <b>90,520</b>     | <b>66,240</b>     |
| Expenses:   |  |                   |                   |                   |                   |
| Interest  | (32,115)   | (23,589)          | (20,238)          | (15,631)          | (13,518)          |
| Compensation  | (14,852)   | (12,337)          | (8,560)           |                   |                   |
| General and administrative  | (8,621)  | (7,134)           | (4,877)           | (2,330)           | (2,483)           |
| Share-based compensation  | (6,262)  | (4,215)           | (4,210)           | (2,565)           | (2,047)           |
| Expenses charged to the External Investment Manager   | 4,335  | 2,048             |                   |                   |                   |
| Expenses reimbursed to MSCP   |  |                   | (3,189)           | (10,669)          | (8,915)           |
| <b>Total expenses</b>   | <b>(57,515)</b>                                  | <b>(45,227)</b>   | <b>(41,074)</b>   | <b>(31,195)</b>   | <b>(26,963)</b>   |
| Net investment income   | 107,074  | 95,536            | 75,423            | 59,325            | 39,277            |
| Total net realized gain (loss) from investments   | (21,316)   | 23,206            | 7,277             | 16,479            | 2,639             |
| Total net realized loss from SBIC debentures  |  |                   | (4,775)           |                   |                   |
| Total net change in unrealized appreciation (depreciation) from investments   | 10,871   | (776)             | 14,503            | 44,464            | 34,989            |
| Total net change in unrealized appreciation (depreciation) from SBIC debentures and investment in the Internal Investment Manager | (879)  | (10,931)          | 4,392             | (5,004)           | (6,511)           |
| Income tax benefit (provision)  | 8,687  | (6,287)           | 35                | (10,820)          | (6,288)           |
| <b>Net increase in net assets resulting from operations</b>   | <b>104,437</b>                                   | <b>100,748</b>    | <b>96,855</b>     | <b>104,444</b>    | <b>64,106</b>     |
| Noncontrolling interest   |  |                   |                   | (54)              | (1,139)           |
| <b>Net increase in net assets resulting from operations attributable to common stock</b>  | <b>\$ 104,437</b>                                | <b>\$ 100,748</b> | <b>\$ 96,855</b>  | <b>\$ 104,390</b> | <b>\$ 62,967</b>  |
| <b>Net investment income per share basic and diluted</b>  | <b>\$ 2.18</b>                                   | <b>\$ 2.20</b>    | <b>\$ 2.06</b>    | <b>\$ 2.01</b>    | <b>\$ 1.69</b>    |
| <b>Net increase in net assets resulting from operations attributable to common stock per share basic and diluted</b>              | <b>\$ 2.13</b>                                   | <b>\$ 2.31</b>    | <b>\$ 2.65</b>    | <b>\$ 3.53</b>    | <b>\$ 2.76</b>    |
| <b>Weighted average shares outstanding basic and diluted</b>  | <b>49,071,492</b>                                | <b>43,522,397</b> | <b>36,617,850</b> | <b>29,540,114</b> | <b>22,850,299</b> |

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|   | As of December 31,     |                     |                     |                     |                   |
|---|------------------------|---------------------|---------------------|---------------------|-------------------|
|   | 2015                   | 2014                | 2013                | 2012                | 2011              |
|   | (dollars in thousands) |                     |                     |                     |                   |
| <b>Balance sheet data:</b>  |                        |                     |                     |                     |                   |
| Assets:   |                        |                     |                     |                     |                   |
| Total portfolio investments at fair value                             | \$ 1,799,996           | \$ 1,563,330        | \$ 1,286,188        | \$ 924,431          | \$ 658,093        |
| Marketable securities and idle funds investments                      | 3,693                  | 9,067               | 13,301              | 28,535              | 26,242            |
| Cash and cash equivalents   | 20,331                 | 60,432              | 34,701              | 63,517              | 42,650            |
| Interest receivable and other assets                                  | 37,638                 | 46,406              | 16,054              | 14,580              | 6,539             |
| Deferred financing costs, net of accumulated amortization             | 13,267                 | 14,550              | 9,931               | 5,162               | 4,168             |
| Deferred tax asset, net   | 4,003                  |                     |                     |                     |                   |
| <b>Total assets</b>   | <b>\$ 1,878,928</b>    | <b>\$ 1,693,785</b> | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> | <b>\$ 737,692</b> |
| Liabilities and net assets:   |                        |                     |                     |                     |                   |
| Credit facility   | \$ 291,000             | \$ 218,000          | \$ 237,000          | \$ 132,000          | \$ 107,000        |
| SBIC debentures at fair value(1)                                      | 223,660                | 222,781             | 187,050             | 211,467             | 201,887           |
| 4.50% Notes   | 175,000                | 175,000             |                     |                     |                   |
| 6.125% Notes  | 90,738                 | 90,823              | 90,882              |                     |                   |
| Dividend payable  | 9,074                  | 7,663               | 6,577               | 5,188               | 2,856             |
| Interest payable  | 3,959                  | 4,848               | 2,556               | 3,562               | 3,984             |
| Accounts payable and other liabilities                                | 12,292                 | 10,701              | 10,549              | 8,593               | 7,001             |
| Payable for securities purchased                                      | 2,311                  | 14,773              | 27,088              | 20,661              |                   |
| Deferred tax liability, net   |                        | 9,214               | 5,940               | 11,778              | 3,776             |
| <b>Total liabilities</b>  | <b>808,034</b>         | <b>753,803</b>      | <b>567,642</b>      | <b>393,249</b>      | <b>326,504</b>    |
| <b>Total net asset value</b>  | <b>1,070,894</b>       | <b>939,982</b>      | <b>792,533</b>      | <b>642,976</b>      | <b>405,711</b>    |
| Noncontrolling interest   |                        |                     |                     |                     | 5,477             |
| <b>Total liabilities and net assets</b>                               | <b>\$ 1,878,928</b>    | <b>\$ 1,693,785</b> | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> | <b>\$ 737,692</b> |
| <b>Other data:</b>  |                        |                     |                     |                     |                   |
| Weighted average effective yield on LMM debt investments(2)           | 12.2%                  | 13.2%               | 14.7%               | 14.3%               | 14.8%             |
| Number of LMM portfolio companies                                     | 71                     | 66                  | 62                  | 56                  | 54                |
| Weighted average effective yield on Middle Market debt investments(2) | 8.0%                   | 7.8%                | 7.8%                | 8.0%                | 9.5%              |
| Number of Middle Market portfolio companies                           | 86                     | 86                  | 92                  | 79                  | 57                |
| Weighted average effective yield on Private Loan debt investments(2)  | 9.5%                   | 10.1%               | 11.3%               | 14.8%               |                   |
| Number of Private Loan portfolio companies                            | 40                     | 31                  | 15                  | 9                   |                   |
| Expense ratios (as percentage of average net assets):                 |                        |                     |                     |                     |                   |
| Total expenses, including income tax expense                          | 4.6%                   | 5.8%                | 5.8%                | 8.2%(3)             | 9.8%(3)           |
| Operating expenses  | 5.5%                   | 5.1%                | 5.8%                | 6.1%(3)             | 8.0%(3)           |
| Operating expenses, excluding interest expense                        | 2.4%                   | 2.4%                | 3.0%                | 3.0%(3)             | 4.0%(3)           |

(1)

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SBIC debentures for December 31, 2015, 2014, 2013, 2012 and 2011 are \$225,000, \$225,000, \$200,200, \$225,000 and \$220,000 at par, respectively, with par of \$75,200 for December 31, 2015, 2014 and 2013, \$100,000 for December 31, 2012, and \$95,000 for December 31, 2011 recorded at fair value of \$73,860, \$72,981, \$62,050, \$86,467 and 76,887, as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

- (2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status.
- (3) Ratios are net of amounts attributable to MSC II non-controlling interest.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.*

*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 Part I of this report.*

**ORGANIZATION**

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

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

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

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

MSCC has certain direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of the Taxable Subsidiaries is to permit MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes. The External Investment Manager and Main Street Capital Partners, LLC, ("MSCP") are also direct wholly owned

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subsidiaries that have elected to be taxable entities. The Taxable Subsidiaries, MSCP and the External Investment Manager are each taxed at their normal corporate tax rates based on their taxable income.

Unless otherwise noted or the context otherwise indicates, the terms "we," "us," "our" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, MSCP.

**OVERVIEW**

Our principal investment objective is to maximize our portfolio's total return by generating current income from our debt investments and capital appreciation from our equity and equity related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our private loan ("Private Loan") portfolio investments are primarily debt securities which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

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

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

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

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

Our external asset management business is conducted through our External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and

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may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the years ended December 31, 2015 and 2014 are net of expenses charged to the External Investment Manager of \$4.3 million and \$2.0 million, respectively. The total contribution of the External Investment Manager to our net investment income consists of the combination of the expenses charged to the External Investment Manager and dividend income from the External Investment Manager. For the years ended December 31, 2015 and 2014, the total contribution to our net investment income was \$6.5 million and \$2.5 million, respectively.

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of December 31, 2015 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 71                      | 86            | 40           |
| Fair value   | \$ 862.7                | \$ 586.9      | \$ 248.3     |
| Cost   | \$ 685.6                | \$ 637.2      | \$ 268.6     |
| % of portfolio at cost debt                                  | 70.4%                   | 98.3%         | 94.3%        |
| % of portfolio at cost equity                                | 29.6%                   | 1.7%          | 5.7%         |
| % of debt investments at cost secured by first priority lien | 91.8%                   | 86.6%         | 87.3%        |
| Weighted-average annual effective yield(b)                   | 12.2%                   | 8.0%          | 9.5%         |
| Average EBITDA(c)  | \$ 6.0                  | \$ 98.8       | \$ 13.1      |

- (a) At December 31, 2015, we had equity ownership in approximately 96% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 36%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2015, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including five LMM portfolio companies, three Middle Market portfolio companies and six Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

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As of December 31, 2014

|  | LMM(a)                | Middle Market | Private Loan |
|--|-----------------------|---------------|--------------|
|  | (dollars in millions) |               |              |
| Number of portfolio companies                                | 66                    | 86            | 31           |
| Fair value   | \$ 733.2              | \$ 542.7      | \$ 213.0     |
| Cost   | \$ 599.4              | \$ 561.8      | \$ 224.0     |
| % of portfolio at cost debt                                  | 71.5%                 | 99.8%         | 95.6%        |
| % of portfolio at cost equity                                | 28.5%                 | 0.2%          | 4.4%         |
| % of debt investments at cost secured by first priority lien | 89.6%                 | 85.1%         | 87.8%        |
| Weighted-average annual effective yield(b)                   | 13.2%                 | 7.8%          | 10.1%        |
| Average EBITDA(c)  | \$ 5.0                | \$ 77.2       | \$ 18.1      |

- (a) At December 31, 2014, we had equity ownership in approximately 95% of our LMM portfolio companies, and our average fully diluted equity ownership in those portfolio companies was approximately 35%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including two LMM portfolio companies, one Middle Market portfolio company and five Private Loan portfolio companies as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

As of December 31, 2015, we had Other Portfolio investments in ten companies, collectively totaling approximately \$74.8 million in fair value and approximately \$75.2 million in cost basis and which comprised approximately 4.2% of our Investment Portfolio (as defined in "Critical Accounting Policies – Basis of Presentation" below) at fair value. As of December 31, 2014, we had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of our Investment Portfolio at fair value.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2015, there was no cost basis in this investment and the investment had a fair value of \$27.3 million, which comprised 1.5% of our Investment Portfolio at fair value. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of our Investment Portfolio at fair value.

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

The level of new portfolio investment activity will fluctuate from period to period based upon our view of the current economic fundamentals, our ability to identify new investment opportunities that meet our investment criteria, and our ability to consummate the identified opportunities. The level of new investment activity, and associated interest and fee income, will directly impact future investment income. In addition, the level of dividends paid by portfolio companies and the portion of our portfolio debt investments on non-accrual status will directly impact future investment income. While we intend to grow our portfolio and our investment income over the long term, our growth and our operating results may be more limited during



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depressed economic periods. However, we intend to appropriately manage our cost structure and liquidity position based on applicable economic conditions and our investment outlook. The level of realized gains or losses and unrealized appreciation or depreciation on our investments will also fluctuate depending upon portfolio activity, economic conditions and the performance of our individual portfolio companies. The changes in realized gains and losses and unrealized appreciation or depreciation could have a material impact on our operating results.

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For both of the years ended December 31, 2015 and 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4%.

The total investment return on our shares of common stock for the years ended December 31, 2015 and 2014 was 8.49% and (3.09%), respectively. Total investment return is based on the purchase of our stock at the current market price on the first day and a sale at the current market price on the last day of each period reported and assumes reinvestment of dividends at prices obtained by our dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source of income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. Based upon several fee waiver agreements with HMS Income and HMS Adviser, the External Investment Manager did not begin accruing the base management fee and incentive fees, if any, until January 1, 2014. Beginning January 1, 2015, the External Investment Manager conditionally agreed to waive a limited amount of the base management fee and incentive fees otherwise earned during the year ended December 31, 2015. During the years ended December 31, 2015 and 2014, the External Investment Manager earned \$7.8 million and \$2.8 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

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

**CRITICAL ACCOUNTING POLICIES**

*Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment

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Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, but excludes all "Marketable securities and idle funds investments". "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our consolidated balance sheets and consolidated schedules of investments due to the nature of such investments. Our results of operations and cash flows for the years ended December 31, 2015, 2014 and 2013 and financial position as of December 31, 2015 and 2014, are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform to the current presentation, including reclassifying the expenses charged to the External Investment Manager.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services - Investment Companies* ("ASC 946"), we are precluded from consolidating other entities in which we have equity investments, including those in which we have a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us or to any of our portfolio companies. Accordingly, as noted above, our consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. Beginning April 1, 2013, our consolidated financial statements also include the financial position and operating results for MSCP, as the wholly owned subsidiary provides all of its services directly or indirectly to us or our portfolio companies. For all periods up to and including the period ending March 31, 2013, MSCP was accounted for as a portfolio investment. We have determined that all of our portfolio investments do not qualify for this exception, including the investment in the External Investment Manager. Therefore, our Investment Portfolio is carried on the consolidated balance sheet at fair value with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on the consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)."

***Portfolio Investment Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2015 and 2014, our Investment Portfolio valued at fair value represented approximately 96% and 92% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact. See "Note B.1. Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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

Our Board of Directors has the final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent

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with 1940 Act requirements. We believe our Investment Portfolio as of December 31, 2015 and 2014 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

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

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

We hold certain debt and preferred equity instruments in our Investment Portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We stop accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when we determine that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2015, 2014 and 2013 (i) approximately 2.2%, 3.3% and 4.3% respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.0%, 1.3% and 1.2%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

***Share-Based Compensation***

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

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*Income Taxes*

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S Federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S federal income tax return for the applicable fiscal year or (ii) fifteenth day of the ninth month following the close of the year which generated such taxable income.

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

As noted above, beginning April 1, 2013, MSCC's wholly owned subsidiary MSCP is included in our consolidated financial statements for financing reporting purposes. For tax purposes, MSCP has elected to be treated as a taxable entity, and therefore is not consolidated with MSCC for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The taxable income, or loss, of MSCP may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in our consolidated financial statements.

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

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

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**INVESTMENT PORTFOLIO COMPOSITION**

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

Our Middle Market portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio companies generally have annual revenues between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

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

Our external asset management business is conducted through our External Investment Manager. We have entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income. Through this agreement, we provide management and other services to the External Investment Manager, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began charging the External Investment Manager for these services. Our total expenses for the years ended December 31, 2015 and 2014 are net of expenses charged to the External Investment Manager of \$4.3 million and \$2.0 million, respectively. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. The total contribution of the External Investment Manager to our net investment income consists of the combination of the expenses charged to the External Investment Manager and dividend income from the External Investment Manager. For the years ended December 31, 2015 and 2014, the total contribution to our net investment income was \$6.5 million and \$2.5 million, respectively.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio

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investments and Private Loan portfolio investments as of December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|------------------|--------------------------|--------------------------|
| First lien debt  | 75.8%                    | 75.7%                    |
| Equity           | 13.5%                    | 11.6%                    |
| Second lien debt | 8.7%                     | 10.0%                    |
| Equity warrants  | 0.9%                     | 1.5%                     |
| Other            | 1.1%                     | 1.2%                     |
|                  | 100.0%                   | 100.0%                   |

| <b>Fair Value:</b> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|--------------------|--------------------------|--------------------------|
| First lien debt    | 66.1%                    | 66.9%                    |
| Equity             | 24.9%                    | 21.9%                    |
| Second lien debt   | 7.7%                     | 9.2%                     |
| Equity warrants    | 0.6%                     | 1.0%                     |
| Other              | 0.7%                     | 1.0%                     |
|                    | 100.0%                   | 100.0%                   |

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

### **PORTFOLIO ASSET QUALITY**

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

Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.

Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations.

Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations.

Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us.

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Investment Rating 5 represents a LMM 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 LMM portfolio investments receive an initial Investment Rating of 3.

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The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of December 31, 2015 and 2014:

| Investment Rating      | As of December 31, 2015   |                               | As of December 31, 2014   |                               |
|------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
|                        | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| (dollars in thousands) |                           |                               |                           |                               |
| 1                      | \$ 332,606                | 38.6%                         | \$ 287,693                | 39.2%                         |
| 2                      | 143,268                   | 16.6%                         | 133,266                   | 18.2%                         |
| 3                      | 277,160                   | 32.1%                         | 239,100                   | 32.6%                         |
| 4                      | 107,926                   | 12.5%                         | 61,475                    | 8.4%                          |
| 5                      | 1,750                     | 0.2%                          | 11,657                    | 1.6%                          |
| Total                  | \$ 862,710                | 100.0%                        | \$ 733,191                | 100.0%                        |

Based upon our investment rating system, the weighted-average rating of our LMM portfolio was approximately 2.2 as of both December 31, 2015 and 2014.

As of December 31, 2015, our total Investment Portfolio had six investments on non-accrual status, which comprised approximately 0.4% of its fair value and 3.7% of its cost. As of December 31, 2014, our total Investment Portfolio had five investments on non-accrual status, which comprised approximately 1.7% of its fair value and 4.7% of its cost.

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

### DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

#### *Comparison of years ended December 31, 2015 and 2014*

|  | Twelve Months Ended December 31, |            | Net Change |     |
|--|----------------------------------|------------|------------|-----|
|  | 2015                             | 2014       | Amount     | %   |
| (dollars in thousands)   |                                  |            |            |     |
| Total investment income  | \$ 164,589                       | \$ 140,763 | \$ 23,826  | 17% |
| Total expenses   | (57,515)                         | (45,227)   | (12,288)   | 27% |
| Net investment income  | 107,074                          | 95,536     | 11,538     | 12% |
| Net realized gain (loss) from investments                      | (21,316)                         | 23,206     | (44,522)   |     |
| Net change in net unrealized appreciation (depreciation) from: |                                  |            |            |     |
| Portfolio investments  | 11,048                           | (824)      | 11,872     |     |
| SBIC debentures and marketable securities and idle funds       | (1,056)                          | (10,883)   | 9,827      |     |
| Total net change in net unrealized appreciation (depreciation) | 9,992                            | (11,707)   | 21,699     |     |
| Income tax benefit (provision)                                 | 8,687                            | (6,287)    | 14,974     |     |
| Net increase in net assets resulting from operations           | \$ 104,437                       | \$ 100,748 | \$ 3,689   | 4%  |





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|  | Twelve Months Ended                              |                   | Net Change |     |
|--|--|-------------------|------------|-----|
|  | December 31, 2015                                | December 31, 2014 | Amount     | %   |
|  | (dollars in thousands, except per share amounts) |                   |            |     |
| Net investment income  | \$ 107,074                                       | \$ 95,536         | \$ 11,538  | 12% |
| Share-based compensation expense                                   | 6,262  | 4,215             | 2,047      | 49% |
| Distributable net investment income(a)                             | \$ 113,336                                       | \$ 99,751         | \$ 13,585  | 14% |
| Distributable net investment income per share Basic and diluted(a) | \$ 2.31  | \$ 2.29           | \$ 0.02    | 1%  |

(a)

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

*Investment Income*

For the year ended December 31, 2015, total investment income was \$164.6 million, a 17% increase over the \$140.8 million of total investment income for the corresponding period of 2014. This comparable period increase was principally attributable to (i) a \$21.0 million net increase in interest income primarily related to higher average levels of portfolio debt investments, (ii) a \$0.7 million net increase in fee income and (iii) a \$2.0 million net increase in dividend income from Investment Portfolio equity investments. The \$23.8 million increase in total investment income in the year ended December 31, 2015 includes a decrease of \$1.7 million primarily related to a decrease in interest income due to lower accelerated prepayment and repricing activity for certain Investment Portfolio debt investments when compared to the same period in 2014 and a decrease of \$1.6 million related to dividend income activity from portfolio companies that is considered to be less consistent on a recurring basis during the period when compared to the same period in 2014.

*Expenses*

For the year ended December 31, 2015, total expenses increased to \$57.5 million from \$45.2 million for the corresponding period of 2014. This comparable period increase in operating expenses was principally attributable to (i) a \$8.5 million increase in interest expense, primarily due to a \$7.3 million increase as a result of the issuance of our 4.50% Notes in November 2014 and an increase of \$0.8 million related to interest on the Credit Facility due to the higher average balance outstanding in 2015, both when compared to the prior year, and (ii) a \$2.5 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals, (iii) a \$2.0 million increase in share-based compensation expense and (iv) a \$1.5 million increase in general and other administrative expenses, with these increases partially offset by a \$2.3 million increase in the expenses charged to the External Investment Manager (see further discussion in "Overview"), in each case when compared to the prior year. For the years ended December 31, 2015 and 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4%.

Table of Contents*Distributable Net Investment Income*

For the year ended December 31, 2015, distributable net investment income increased 14% to \$113.3 million, or \$2.31 per share, compared with \$99.8 million, or \$2.29 per share, in the corresponding period of 2014. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses as discussed above. Distributable net investment income on a per share basis for the year ended December 31, 2015 reflects (i) a decrease of approximately \$0.05 per share from the comparable period in 2014 attributable to the net decrease in the comparable levels of accelerated prepayment and repricing activity for certain Investment Portfolio debt investments as discussed above, (ii) a decrease of approximately \$0.04 per share attributable to the decrease in the dividend income that is considered to be less consistent on a recurring basis as discussed above and (iii) a greater number of average shares outstanding compared to the corresponding period in 2014 primarily due to the April 2014 and March 2015 equity offerings, the shares issued through the ATM Program (as defined in "Liquidity and Capital Resources - Capital Resources" below) and shares issued pursuant to our dividend reinvestment plan.

*Net Investment Income*

Net investment income for the year ended December 31, 2015 was \$107.1 million, or a 12% increase, compared to net investment income of \$95.5 million for the corresponding period of 2014. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses as discussed above.

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the year ended December 31, 2015 was \$104.4 million, or \$2.13 per share, compared with \$100.7 million, or \$2.31 per share, during the year ended December 31, 2014. This increase from the prior year period was primarily the result of (i) a \$11.5 million increase in net investment income as discussed above and (ii) a \$21.7 million increase in net change in unrealized appreciation (depreciation) to net unrealized appreciation of \$10.0 million for the year ended December 31, 2015 and (iii) a \$15.0 million increase due to the change in the income tax benefit (provision) from the prior year period to an income tax benefit of \$8.7 million for the year ended December 31, 2015, with these changes partially offset by a \$44.5 million decrease due to the change in the net realized gain (loss) from investments from a net realized gain of \$23.2 million during the year ended December 31, 2014 to a net realized loss of \$21.3 million for the year ended December 31, 2015. The net realized loss of \$21.3 million for the year ended December 31, 2015 was primarily the result of (i) the net realized losses relating to the restructure of two Private Loan investments totaling \$13.8 million and two Middle Market investments totaling \$9.1 million, (ii) the net realized loss on the exit of a Private Loan investment of \$4.7 million and (iii) the exits of several Marketable securities and idle funds investments of \$1.4 million, partially offset by the net realized gains on the exits of three LMM investments totaling \$5.4 million and from an Other Portfolio investment of \$2.5 million.

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The following table provides a summary of the total net unrealized appreciation of \$10.0 million for the year ended December 31, 2015:

|  | Twelve Months Ended December 31, 2015 |                  |                 |               |                | Total |
|--|---------------------------------------|------------------|-----------------|---------------|----------------|-------|
|  | LMM(a)                                | MM               | PL              | Other(b)      | Total          |       |
|  | (dollars in millions)                 |                  |                 |               |                |       |
| Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized gains/losses recognized during period | \$ (5.0)                              | \$ 6.9           | \$ 13.1         | \$ (2.6)      | \$ 12.4        |       |
| Net change in unrealized appreciation (depreciation) relating to portfolio investments   | 48.4                                  | (38.1)           | (22.8)          | 11.2          | (1.3)          |       |
| <b>Total net change in unrealized appreciation (depreciation) relating to portfolio investments</b>  | <b>\$ 43.4</b>                        | <b>\$ (31.2)</b> | <b>\$ (9.7)</b> | <b>\$ 8.6</b> | <b>\$ 11.1</b> |       |
| Net change in unrealized depreciation relating to marketable securities  |                                       |                  |                 |               | (0.2)          |       |
| Unrealized depreciation relating to SBIC debentures(c)   |                                       |                  |                 |               | (0.9)          |       |
| <b>Total net change in unrealized appreciation (depreciation)</b>  |                                       |                  |                 |               | <b>\$ 10.0</b> |       |

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(a) LMM includes unrealized appreciation on 36 LMM portfolio investments and unrealized depreciation on 21 LMM portfolio investments.

(b) Other includes \$11.7 million of unrealized appreciation relating to the External Investment Manager, offset by \$0.5 million of net unrealized depreciation relating to the Other Portfolio.

(c) Relates to unrealized depreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis.

The income tax benefit for the year ended December 31, 2015 of \$8.7 million principally consisted of a deferred tax benefit of \$11.7 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in net operating loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book tax differences, partially offset by other current taxes of \$3.0 million, which includes \$1.8 million related to accruals for U.S. federal income, state and other taxes and \$1.2 million for excise taxes.

Table of Contents*Comparison of years ended December 31, 2014 and 2013*

|  | Twelve Months Ended December 31, |            | Net Change |      |
|--|----------------------------------|------------|------------|------|
|  | 2014                             | 2013       | Amount     | %    |
|  | (dollars in thousands)           |            |            |      |
| Total investment income  | \$ 140,763                       | \$ 116,497 | \$ 24,266  | 21%  |
| Total expenses   | (45,227)                         | (41,074)   | (4,153)    | 10%  |
| Net investment income  | 95,536                           | 75,423     | 20,113     | 27%  |
| Net realized gain (loss) from investments                      | 23,206                           | 7,277      | 15,929     | 219% |
| Net realized loss from SBIC debentures                         |                                  | (4,775)    | 4,775      |      |
| Net change in net unrealized appreciation (depreciation) from: |                                  |            |            |      |
| Portfolio investments  | (824)                            | 16,155     | (16,979)   |      |
| SBIC debentures and marketable securities and idle funds       | (10,883)                         | 2,740      | (13,623)   |      |
| Total net change in net unrealized appreciation (depreciation) | (11,707)                         | 18,895     | (30,602)   |      |
| Income tax benefit (provision)                                 | (6,287)                          | 35         | (6,322)    |      |
| Net increase in net assets resulting from operations           | \$ 100,748                       | \$ 96,855  | \$ 3,893   | 4%   |

|  | Twelve Months Ended December 31,                 |           | Net Change |     |
|--|--|-----------|------------|-----|
|  | 2014   | 2013      | Amount     | %   |
|  | (dollars in thousands, except per share amounts) |           |            |     |
| Net investment income  | \$ 95,536  | \$ 75,423 | \$ 20,113  | 27% |
| Share-based compensation expense                                   | 4,215  | 4,210     | 5          | 0%  |
| Distributable net investment income(a)                             | \$ 99,751  | \$ 79,633 | \$ 20,118  | 25% |
| Distributable net investment income per share Basic and diluted(a) | \$ 2.29  | \$ 2.17   | \$ 0.12    | 6%  |

(a)

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

*Investment Income*

For the year ended December 31, 2014, total investment income was \$140.8 million, a 21% increase over the \$116.5 million of total investment income for the corresponding period of 2013. This comparable period increase was principally attributable to (i) a \$15.9 million

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increase in interest income from higher average levels of portfolio debt investments, (ii) an \$8.1 million increase in dividend income from Investment Portfolio equity investments and (iii) a \$0.8 million increase in fee income from higher origination activity

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and refinancing and prepayment activity, partially offset by a \$0.6 million decrease in interest and dividend income due to a lower level of Marketable securities and idle funds investments. The \$24.3 million increase in total investment income in the year ended December 31, 2014 includes a \$1.3 million net decrease in investment income related to accelerated prepayment and repricing activity for certain Investment Portfolio debt investments and Marketable securities and idle funds investments and \$1.6 million of unusual dividend income.

*Expenses*

For the year ended December 31, 2014, total expenses increased to \$45.2 million from \$41.1 million for the corresponding period of 2013. This comparable period increase in operating expenses was principally attributable to (i) a \$3.4 million increase in interest expense, primarily as a result of (a) the issuance of our 6.125% Notes due 2023 (the "6.125% Notes") in April 2013, (b) the issuance of our 4.50% Notes due 2019 (the "4.50% Notes") in November 2014 and (c) a higher average outstanding balance on our credit facility ("Credit Facility") when compared to prior year, partially offset by a decrease in interest expense from our SBIC debentures due to a lower average interest rate, in both cases when compared to the prior year, (ii) a \$1.0 million increase in compensation expense related to increases in the number of personnel, base compensation and other incentive compensation accruals and (iii) a \$1.8 million increase related to other general and administrative expenses, partially offset by (i) a \$2.0 million decrease in expenses related to the expenses charged to the External Investment Manager (see further discussion in "Overview"), in each case when compared to the prior year. Share-based compensation expense was \$4.2 million for 2014, which is unchanged from 2013, due to the net effect of the non-recurring accelerated vesting of restricted stock of our retired Executive Vice Chairman in 2013, which resulted in additional share-based compensation expense of \$1.3 million in the prior year, which was offset by an increase of \$1.3 million related to non-cash amortization for the vesting of restricted share grants in 2014. For the year ended December 31, 2014, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% compared to 1.7% for the year ended December 31, 2013 (the prior year comparison excluding the effect of the accelerated vesting as discussed above). Including the effect of the accelerated vesting of restricted stock, the ratio would have been 1.8% for the year ended December 31, 2013.

*Distributable Net Investment Income*

Distributable net investment income increased 25% to \$99.8 million, or \$2.29 per share, compared with \$79.6 million, or \$2.17 per share, in the corresponding period of 2013. The increase in distributable net investment income was primarily due to the higher level of total investment income partially offset by higher operating expenses, due to the changes discussed above. Distributable net investment income on a per share basis for the year ended December 31, 2014 reflects (i) a decrease of approximately \$0.06 per share from the comparable period in 2013 attributable to the net decrease in the comparable levels of accelerated prepayment and repricing activity for certain investment portfolio debt investments, (ii) approximately \$0.04 per share attributable to the unusual dividend income as discussed above and (iii) a greater number of average shares outstanding compared to the corresponding period in 2013 primarily due to the August 2013 and April 2014 follow-on equity offerings.

*Net Investment Income*

Net investment income for the year ended December 31, 2014 was \$95.5 million, or a 27% increase, compared to net investment income of \$75.4 million for the corresponding period of 2013. The increase in net investment income was principally attributable to the increase in total investment income partially offset by higher operating expenses as discussed above.

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the year ended December 31, 2014 was \$100.7 million, or \$2.31 per share, compared with \$96.9 million, or \$2.65 per share, during the year ended

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December 31, 2013. This increase from the prior year was primarily the result of (i) a \$20.1 million increase in net investment income and (ii) a \$15.9 million increase in the net realized gain (loss) from investments and (iii) the \$4.8 million decrease in the net realized loss from SBIC debentures, partially offset by (i) a \$30.6 million decrease in net change in unrealized appreciation (depreciation) to \$11.7 million of net unrealized depreciation for the year ended December 31, 2014 compared to \$18.9 million of net unrealized appreciation in the prior year and (ii) a \$6.3 million increase in the income tax provision from the prior year. The net realized gain from investments of \$23.2 million during the year ended December 31, 2014 was primarily attributable to (i) \$27.1 million of realized gains recognized on the exits of four LMM portfolio investments in 2014 and (ii) net realized gains on several Middle Market investments totaling \$2.0 million, partially offset by a net realized loss of \$6.5 million in conjunction with a change in control transaction involving a LMM portfolio company in the second quarter of 2014.

The following table provides a summary of the total net change in unrealized depreciation of \$11.7 million for the year ended December 31, 2014:

|   | <b>Twelve Months Ended December 31, 2014</b> |                  |                  |                 |                  |
|---|--|------------------|------------------|-----------------|------------------|
|   | <b>LMM(a)</b>                                | <b>MM</b>        | <b>PL</b>        | <b>Other(b)</b> | <b>Total</b>     |
|   | <b>(dollars in millions)</b>                 |                  |                  |                 |                  |
| Accounting reversals of net unrealized appreciation recognized in prior periods due to net realized gains/losses recognized during period | \$ (16.0)                                    | \$ (3.5)         | \$ (0.9)         | \$ (0.3)        | \$ (20.7)        |
| Net change in unrealized appreciation (depreciation) relating to portfolio investments  | 33.7   | (18.7)           | (9.9)            | 14.8            | 19.9             |
| <b>Total net change in unrealized appreciation (depreciation) relating to portfolio investments</b>                                       | <b>\$ 17.7</b>                               | <b>\$ (22.2)</b> | <b>\$ (10.8)</b> | <b>\$ 14.5</b>  | <b>\$ (0.8)</b>  |
| Net change in unrealized depreciation relating to marketable securities   |  |                  |                  |                 |                  |
| Unrealized depreciation relating to SBIC debentures(c)  |  |                  |                  |                 | (10.9)           |
| <b>Total net change in unrealized depreciation</b>  |  |                  |                  |                 | <b>\$ (11.7)</b> |

(a) LMM includes unrealized appreciation on 39 LMM portfolio investments and unrealized depreciation on 12 LMM portfolio investments.

(b) Other includes \$14.5 million of unrealized appreciation relating to the External Investment Manager and \$0.3 million of net unrealized appreciation relating to the Other Portfolio.

(c) Relates to unrealized depreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis.

The income tax provision for the year ended December 31, 2014 of \$6.3 million principally consisted of deferred taxes of \$3.3 million, which is primarily the result of the impact on deferred taxes related to the utilization of net operating losses and net unrealized appreciation on our portfolio investments held in our Taxable Subsidiaries, and other taxes of \$3.0 million, which includes a \$1.4 million accrual for excise tax on our estimated spillover taxable income and \$1.6 million related to accruals for state and other taxes.

### ***Liquidity and Capital Resources***

#### *Cash Flows*

For the year ended December 31, 2015, we experienced a net decrease in cash and cash equivalents in the amount of \$40.1 million, which is the net result of \$131.4 million of cash used for our operating activities and \$91.3 million of cash provided by financing activities.





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During the period, we used \$131.4 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling \$101.8 million, which is our \$113.3 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$8.9 million, payment-in-kind interest income of \$3.6 million, cumulative dividends of \$1.6 million and the amortization expense for deferred financing costs of \$2.6 million, (ii) cash uses totaling \$848.0 million which primarily resulted from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2014, which together total \$838.4 million, (b) the funding of new Marketable securities and idle funds investments totaling \$5.8 million, (c) \$2.3 million related to decreases in payables and accruals and (d) increases in other assets of \$1.5 million, and (iii) cash proceeds totaling \$614.8 million from (a) \$605.3 million in cash proceeds from the repayments of debt investments and sales of equity investments in portfolio companies and (b) \$9.5 million of cash proceeds from the sale of Marketable securities and idle funds investments.

During the year ended December 31, 2015, \$91.3 million in cash was provided by financing activities, which principally consisted of (i) \$132.0 million in net cash proceeds from a public equity offering in March 2015 and through equity issuances under the ATM Program in the fourth quarter of 2015 and (ii) \$73.0 million in net cash proceeds from the Credit Facility, partially offset by (iii) \$110.7 million in cash dividends paid to stockholders and (iv) \$3.0 million for payment of deferred loan costs, SBIC debenture fees and other costs.

For the year ended December 31, 2014, we experienced a net increase in cash and cash equivalents in the amount of \$25.7 million, which is the net result of \$190.9 million of cash used for our operating activities and \$216.6 million provided by financing activities.

During the period, we used \$190.9 million of cash for our operating activities, which resulted primarily from (i) cash flows we generated from the ordinary operating profits earned through our operating activities totaling \$84.5 million, which is our \$99.8 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.5 million, payment-in-kind interest income of \$4.7 million, cumulative dividends of \$1.8 million and the amortization expense for deferred financing costs of \$1.7 million, (ii) cash uses totaling \$858.2 million from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2013, which together total \$831.2 million, (b) the funding of new Marketable securities and idle funds investments and settlement of accruals for Marketable securities and idle funds investments existing as of December 31, 2013, which together total \$22.7 million and (c) increases in other assets of \$4.3 million, and (iii) cash proceeds totaling \$582.8 million from (a) \$554.7 million in cash proceeds from the repayments of debt investments and sales of equity investments in portfolio companies, (b) \$27.0 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) \$1.1 million related to increases in payables and accruals.

During 2014, \$216.6 million in cash was provided by financing activities, which principally consisted of (i) \$175.0 million in proceeds from the issuance of the 4.50% Notes in November 2014, (ii) \$139.7 million in net cash proceeds from a follow-on public equity offering in April 2014 and (iii) \$24.8 million in cash proceeds from the issuance of SBIC debentures, partially offset by (i) \$95.9 million in cash dividends paid to stockholders, (ii) \$19.0 million in net cash repayments of the Credit Facility, (iii) \$6.4 million in loan costs associated with our SBIC debentures, the 4.50% Notes and the Credit Facility and (iv) \$1.5 million in other costs.

*Capital Resources*

As of December 31, 2015, we had \$20.3 million in cash and cash equivalents, \$3.7 million in Marketable securities and idle funds investments and \$264.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of December 31, 2015, our net asset value totaled \$1,070.9 million, or \$21.24 per share.

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The Credit Facility, which provides additional liquidity to support our investment and operational activities, provides for commitments from a diversified group of fourteen lenders. The Credit Facility was amended during 2015 to change the total commitments to \$555.0 million, increase the accordion feature of the Credit Facility from \$650.0 million to \$750.0 million, increase the amount of unsecured debt we are permitted to incur, providing us additional financial flexibility in our capital structure, decrease the interest rate to the rates described below and to extend the maturity one year to September 2020. The accordion feature allows Main Street to increase the total commitments under the facility from new and existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis at a rate equal to the applicable LIBOR rate (0.24% as of December 31, 2015) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.50% as of December 31, 2015) plus 0.875%), as long as we maintain an investment grade rating and meet certain agreed upon excess collateral and maximum leverage requirements, (ii) 2.0% (or the applicable base rate plus 1.0%) if we maintain an investment grade rating but do not meet certain excess collateral and maximum leverage requirements or (iii) 2.25% (or the applicable base rate plus 1.25%), if we do not maintain an investment grade rating. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2020, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. As of December 31, 2015, we had \$291.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.1% and we were in compliance with all financial covenants of the Credit Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates and favorable terms and conditions. In addition, in December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million. This new legislation may allow us to issue additional SBIC debentures, subject to SBA approval, above the \$225.0 million that we, through the Funds, have outstanding as of December 31, 2015. 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 with no prepayment penalty. On December 31, 2015, through our two wholly owned SBICs, we had \$225.0 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted-average annual fixed interest rate of approximately 4.2%, paid semi-annually, and mature ten years from issuance. The first maturity related to our SBIC debentures does not occur until 2017, and the remaining weighted-average duration is approximately 5.6 years as of December 31, 2015.

In April 2013, we issued \$92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes. The 6.125% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. We may from time to time repurchase 6.125% Notes in

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accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2015, the outstanding balance of the 6.125% Notes was \$90.7 million.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring our compliance with (regardless of whether we are subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring us to provide financial information to the holders of the 6.125% Notes and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture.

In November 2014, we issued \$175.0 million in aggregate principal amount of the 4.50% Notes at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year, beginning June 1, 2015. We may from time to time repurchase 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2015, the outstanding balance of the 4.50% Notes was \$175.0 million.

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

During April 2014, we completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, resulting in total net proceeds, including exercise of the underwriters' option to purchase additional shares and after deducting underwriting discounts and estimated offering expenses payable by us, of approximately \$139.7 million.

During March 2015, we completed a follow-on public equity offering of 4,370,000 shares of common stock, including the underwriters' full exercise of their option to purchase 570,000 additional shares, resulting in total net proceeds, including exercise of the underwriters' option to purchase additional shares and after deducting underwriting discounts and estimated offering expenses payable by us, of approximately \$127.8 million.

During November 2015, we entered into a program (the "ATM Program") with underwriters through which we could sell, by means of at-the-market offerings from time to time, up to 1,000,000 shares of our common stock. During the fourth quarter of 2015, we sold 140,568 shares of our common stock at a weighted-average price of \$31.98 per share and raised \$4.5 million of gross proceeds under the ATM Program. Net proceeds were \$4.3 million after commissions to the underwriter on shares sold and offering costs. As of December 31, 2015, 859,432 shares were available for sale under the ATM Program.

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 primary investment objective of Marketable securities and idle funds investments is to generate incremental

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cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments. The composition of Marketable securities and idle funds investments will vary in a given period based upon, among other things, changes in market conditions, the underlying fundamentals in our Marketable securities and idle funds investments, our outlook regarding future LMM, Middle Market and Private Loan portfolio investment needs, and any regulatory requirements applicable to us.

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2015 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock, and we do not currently expect to seek such approval at our 2016 annual meeting of stockholders for the same reason. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

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

Although we have been able to secure access to additional liquidity, including recent public equity and historical debt offerings, our \$555.0 million Credit Facility, and the available leverage through the SBIC program, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

***Recently Issued or Adopted Accounting Standards***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. The FASB tentatively decided to defer the effective date of the new revenue standard for public entities under U.S. GAAP for one year. If finalized, the new guidance will be effective for the annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. Early adoption would be permitted for annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact the adoption of this new accounting standard will have on our consolidated financial statements.

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In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The impact of the adoption of this new accounting standard on our consolidated financial statements is currently being evaluated.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements – Disclosures for Certain Entities that Calculate Net Asset Value per Share*. This amendment updates guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy, while investments for which fair value is measured at net asset value per share but the practical expedient is not applied should continue to be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The impact of the adoption of this new accounting standard on our consolidated financial statements is currently being evaluated.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe that the impact of recently issued standards and any that are not yet effective will not have a material impact on our financial statements upon adoption.

***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 labor, raw materials and third party services 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, 2015, we had a total of \$144.3 million in outstanding commitments comprised of (i) 27 investments with commitments to fund revolving loans that had not been fully drawn or term loans with additional commitments not yet funded and (ii) nine investments with capital commitments that had not been fully called.

Table of Contents***Contractual Obligations***

As of December 31, 2015, the future fixed commitments for cash payments in connection with our SBIC debentures and the 4.50% Notes and the 6.125% Notes for each of the next five years and thereafter are as follows:

|                                 | 2016                   | 2017             | 2018             | 2019              | 2020 and thereafter | Total             |
|---------------------------------|------------------------|------------------|------------------|-------------------|---------------------|-------------------|
|                                 | (dollars in thousands) |                  |                  |                   |                     |                   |
| SBIC debentures                 | \$                     | \$ 15,000        | \$ 10,200        | \$ 20,000         | \$ 179,800          | \$ 225,000        |
| Interest due on SBIC debentures | 9,446                  | 9,423            | 8,130            | 7,807             | 17,601              | 52,407            |
| Notes 6.125%                    |                        |                  |                  |                   | 90,738              | 90,738            |
| Interest due on 6.125% Notes    | 4,168                  | 5,558            | 5,558            | 5,558             | 19,452              | 40,294            |
| 4.50% Notes                     |                        |                  |                  | 175,000           |                     | 175,000           |
| Interest due on 4.50% Notes     | 7,875                  | 7,875            | 7,875            | 7,875             |                     | 31,500            |
| <b>Total</b>                    | <b>\$ 21,489</b>       | <b>\$ 37,856</b> | <b>\$ 31,763</b> | <b>\$ 216,240</b> | <b>\$ 307,591</b>   | <b>\$ 614,939</b> |

As of December 31, 2015, we had \$291.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2020. The Credit Facility contains two, one-year extension options which could extend the maturity to September 2022. See further discussion of the Credit Facility terms in "Liquidity and Capital Resources Capital Resources".

***Related Party Transactions***

As discussed further above, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of our Investment Portfolio. At December 31, 2015, we had a receivable of \$2.0 million due from the External Investment Manager which included approximately \$1.3 million primarily related to operating expenses incurred by us as required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.7 million.

In June 2013, our board of directors approved and adopted the Deferred Compensation Plan for Non-Employee Directors (the "2013 Deferred Compensation Plan") for the non-employee members of our board of directors, which allowed the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of our common stock within 90 days after the participant's end of service as a director. As of December 31, 2015, \$1.1 million of directors' fees had been deferred under this plan. These deferred fees represented 34,645 shares of our common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted-average shares outstanding on our consolidated statement of operations as earned.

In November 2015, our board of directors approved and adopted the Main Street Capital Corporation Deferred Compensation Plan (the "2015 Deferred Compensation Plan"). The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the 2013 Deferred Compensation Plan. Under the 2015 Deferred Compensation Plan, non-employee directors and certain key employees may defer receipt of some or all of their cash compensation, subject to certain limitations. Individuals participating in the 2015 Deferred Compensation Plan receive distributions of their respective balances based on predetermined payout schedules or other events as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan, including phantom Main Street stock units.

***Recent Developments***

During January 2016, we fully exited our debt and equity investments in Southern RV, LLC, a four-location dealer of new and used recreational vehicles ("RV") and its affiliated real estate entity (together,

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"Southern RV") through a sale of Southern RV's assets and business. Southern RV has facilities in Tyler, TX, Bossier City, LA, Lafayette, LA, and Biloxi, MS and also engages in financing, parts sales and RV services. Southern RV's predecessor was originally founded in 2000 and offers its customers a variety of Travel Trailers, Fifth Wheels, Toy Haulers, Class A Motorhomes, and Class C Motorhomes from top-selling manufacturers. We made our initial investment in Southern RV in August 2013 and realized a gain of approximately \$14.4 million on the exit of our equity investments in Southern RV.

During February 2016, we led a new portfolio investment totaling \$15.0 million of invested capital in UniRush, LLC ("UniRush") to fund UniRush's growth initiatives and refinance existing debt, with us funding \$12.0 million of the investment. The investment in UniRush consisted of first-lien, senior secured term debt. In addition, we and our co-investor provided UniRush a \$5.0 million delayed draw term loan facility to support its future growth opportunities. Headquartered in Cincinnati, Ohio and founded in 2003, UniRush is a leading provider of prepaid debit card solutions branded under the "RushCard" and "Rapid PayCard". RushCard was one of the first prepaid, reloadable Visa debit card programs, and provides financial services for the more than 65 million individuals in the United States who cannot or choose not to establish a traditional banking relationship. Rapid PayCard is a provider of prepaid, payroll debit cards for employers as an alternative to issuing paper checks to employees.

During February 2016, we declared regular monthly dividends of \$0.180 per share for each of April, May and June 2016. These regular monthly dividends equal a total of \$0.540 per share for the second quarter of 2016. The second quarter 2016 regular monthly dividends represent a 2.9% increase from the dividends declared for the second quarter of 2015. Including the dividends declared for the second quarter of 2016, we will have paid \$16.960 per share in cumulative dividends since our October 2007 initial public offering.

**Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and Marketable securities and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent of any debt investments that include floating interest rates. The majority of our debt investments are made with either fixed interest rates or floating rates that are subject to contractual minimum interest rates for the term of the investment. As of December 31, 2015, approximately 60% of our debt investment portfolio (at cost) bore interest at floating rates, 98% of which were subject to contractual minimum interest rates. As of December 31, 2015, none of our Marketable securities and idle funds investments (at cost) bore interest at floating rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the interest rates on our outstanding SBIC debentures and our 4.50% Notes and 6.125% Notes, which comprise the majority of our outstanding debt, are fixed for the life of such debt. As of December 31, 2015, we had not entered into any interest rate hedging arrangements. The following table shows the approximate annualized increase or decrease in the components of net investment income due



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to hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings as of December 31, 2015.

| Basis Point Change | Increase in<br>Interest<br>Income | Increase in<br>Interest<br>Expense | Increase<br>(Decrease) in Net<br>Investment<br>Income | Increase<br>(Decrease) in Net<br>Investment<br>Income<br>per Share |
|--------------------|-----------------------------------|------------------------------------|---|--|
|                    | (dollars in thousands)            |                                    |   |  |
| 50                 | \$ 871                            | \$ (1,455)                         | \$ (584)  | \$ (0.01)  |
| 100                | 4,566                             | (2,910)                            | 1,656   | 0.03   |
| 150                | 8,714                             | (4,365)                            | 4,349   | 0.09   |
| 200                | 12,867                            | (5,820)                            | 7,047   | 0.14   |
| 300                | 21,172                            | (8,730)                            | 12,442  | 0.25   |
| 400                | 29,497                            | (11,640)                           | 17,857  | 0.35   |
| 500                | 37,842                            | (14,550)                           | 23,292  | 0.46   |

The hypothetical results would also be impacted by the changes in the amount of debt outstanding under our Credit Facility (with an increase (decrease) in the debt outstanding under the Credit Facility resulting in an (increase) decrease in the hypothetical interest expense).

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**Item 8. *Financial Statements and Supplementary Data***

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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) and subsidiaries (the "Company"), including the consolidated schedule of investments, as of December 31, 2015 and 2014 and the related consolidated statements of operations, changes in net assets and cash flows for each of three years in the period ended December 31, 2015 and the financial highlights (see Note I) for each of the five years in the period ended December 31, 2015. 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 audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included verification by confirmation of securities as of December 31, 2015 and 2014, by correspondence with the portfolio companies and custodians, or by other appropriate auditing procedures where replies were not received. 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 financial position of Main Street Capital Corporation and subsidiaries as of December 31, 2015 and 2014 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, and the financial highlights for each of the five years in the period ended December 31, 2015, 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), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 26, 2016

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders' of  
Main Street Capital Corporation

We have audited internal control over financial reporting of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company, including the consolidated schedule of investments, as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows, for each of the three years in the period ended December 31, 2015 and the financial highlights (see Note I) for each of the five years in the period ended December 31, 2015, and our report dated February 26, 2016, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 26, 2016

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Balance Sheets****(dollars in thousands, except shares and per share amounts)**

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Portfolio investments at fair value:   |                      |                      |
| Control investments (cost: \$387,727 and \$342,847 as of December 31, 2015 and 2014, respectively)                               | \$ 555,011           | \$ 469,846           |
| Affiliate investments (cost: \$333,728 and \$266,243 as of December 31, 2015 and 2014, respectively)                             | 350,519              | 278,675              |
| Non-Control/Non-Affiliate investments (cost: \$945,187 and \$832,312 as of December 31, 2015 and 2014, respectively)             | 894,466              | 814,809              |
| Total portfolio investments (cost: \$1,666,642 and \$1,441,402 as of December 31, 2015 and 2014, respectively)                   | 1,799,996            | 1,563,330            |
| Marketable securities and idle funds investments (cost: \$5,407 and \$10,604 as of December 31, 2015 and 2014, respectively)     | 3,693                | 9,067                |
| Total investments (cost: \$1,672,049 and \$1,452,006 as of December 31, 2015 and 2014, respectively)                             | 1,803,689            | 1,572,397            |
| Cash and cash equivalents  | 20,331               | 60,432               |
| Interest receivable and other assets   | 27,737               | 23,273               |
| Receivable for securities sold   | 9,901                | 23,133               |
| Deferred financing costs (net of accumulated amortization of \$8,965 and \$6,462 as of December 31, 2015 and 2014, respectively) | 13,267               | 14,550               |
| Deferred tax asset, net  | 4,003                |                      |
| Total assets   | \$ 1,878,928         | \$ 1,693,785         |

**LIABILITIES**

|  |            |            |
|--|------------|------------|
| Credit facility  | \$ 291,000 | \$ 218,000 |
| SBIC debentures (par: \$225,000 as of December 31, 2015 and 2014, par of \$75,200 is recorded at a fair value of \$73,860 and \$72,981 as of | 223,660    | 222,781    |

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|   |                |                |
|---|----------------|----------------|
| December 31, 2015 and 2014, respectively) |                |                |
| 4.50% Notes                               | 175,000        | 175,000        |
| 6.125% Notes                              | 90,738         | 90,823         |
| Dividend payable                          | 9,074          | 7,663          |
| Interest payable                          | 3,959          | 4,848          |
| Accounts payable and other liabilities    | 12,292         | 10,701         |
| Payable for securities purchased          | 2,311          | 14,773         |
| Deferred tax liability, net               |                | 9,214          |
| <b>Total liabilities</b>                  | <b>808,034</b> | <b>753,803</b> |
| Commitments and contingencies (Note N)    |                |                |

**NET ASSETS**

|  |                     |                     |
|--|---------------------|---------------------|
| Common stock, \$0.01 par value per share (150,000,000 shares authorized; 50,413,744 and 45,079,150 shares issued and outstanding as of December 31, 2015 and 2014, respectively)   | 504                 | 451                 |
| Additional paid-in capital   | 1,011,467           | 853,606             |
| Accumulated net investment income, net of cumulative dividends of \$417,347 and \$293,789 as of December 31, 2015 and 2014, respectively   | 7,181               | 23,665              |
| Accumulated net realized gain from investments (accumulated net realized gain from investments of \$19,005 before cumulative dividends of \$68,658 as of December 31, 2015 and accumulated net realized gain from investments of \$40,321 before cumulative dividends of \$60,777 as of December 31, 2014) | (49,653)            | (20,456)            |
| Net unrealized appreciation, net of income taxes   | 101,395             | 82,716              |
| <b>Total net assets</b>  | <b>1,070,894</b>    | <b>939,982</b>      |
| <b>Total liabilities and net assets</b>  | <b>\$ 1,878,928</b> | <b>\$ 1,693,785</b> |

|                                  |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>NET ASSET VALUE PER SHARE</b> | <b>\$ 21.24</b> | <b>\$ 20.85</b> |
|----------------------------------|-----------------|-----------------|

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Operations****(dollars in thousands, except shares and per share amounts)**

|   | <b>Twelve Months Ended December 31,</b> |                   |                  |
|---|---|-------------------|------------------|
|   | <b>2015</b>                             | <b>2014</b>       | <b>2013</b>      |
| <b>INVESTMENT INCOME:</b>   |   |                   |                  |
| Interest, fee and dividend income:  |   |                   |                  |
| Control investments   | \$ 49,832                               | \$ 40,122         | \$ 34,502        |
| Affiliate investments   | 27,200                                  | 26,151            | 23,573           |
| Non-Control/Non-Affiliate investments   | 86,571                                  | 73,666            | 57,083           |
| Interest, fee and dividend income   | 163,603                                 | 139,939           | 115,158          |
| Interest, fee and dividend income from marketable securities and idle funds investments | 986                                     | 824               | 1,339            |
| Total investment income   | 164,589                                 | 140,763           | 116,497          |
| <b>EXPENSES:</b>  |   |                   |                  |
| Interest  | (32,115)                                | (23,589)          | (20,238)         |
| Compensation  | (14,852)                                | (12,337)          | (8,560)          |
| General and administrative  | (8,621)                                 | (7,134)           | (4,877)          |
| Share-based compensation  | (6,262)                                 | (4,215)           | (4,210)          |
| Expenses charged to the External Investment Manager                                     | 4,335                                   | 2,048             |                  |
| Expenses reimbursed to MSCP   |   |                   | (3,189)          |
| Total expenses  | (57,515)                                | (45,227)          | (41,074)         |
| <b>NET INVESTMENT INCOME</b>  | <b>107,074</b>                          | <b>95,536</b>     | <b>75,423</b>    |
| <b>NET REALIZED GAIN (LOSS):</b>  |   |                   |                  |
| Control investments   | (582)                                   | (10)              | 8,669            |
| Affiliate investments   | 5,827                                   | 12,019            | 981              |
| Non-Control/Non-Affiliate investments   | (25,147)                                | 11,257            | (2,705)          |
| Marketable securities and idle funds investments  | (1,414)                                 | (60)              | 332              |
| SBIC debentures   |   |                   | (4,775)          |
| Total net realized gain (loss)  | (21,316)                                | 23,206            | 2,502            |
| <b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>                            |   |                   |                  |
| Portfolio investments   | 11,048                                  | (824)             | 16,155           |
| Marketable securities and idle funds investments  | (177)                                   | 48                | (1,652)          |
| SBIC debentures   | (879)                                   | (10,931)          | 4,392            |
| Total net change in unrealized appreciation (depreciation)                              | 9,992                                   | (11,707)          | 18,895           |
| <b>INCOME TAXES:</b>  |   |                   |                  |
| Federal and state income, excise and other taxes  | (2,964)                                 | (3,013)           | (3,556)          |
| Deferred taxes  | 11,651                                  | (3,274)           | 3,591            |
| Income tax benefit (provision)  | 8,687                                   | (6,287)           | 35               |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                             | <b>\$ 104,437</b>                       | <b>\$ 100,748</b> | <b>\$ 96,855</b> |
| <b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b>                                | <b>\$ 2.18</b>                          | <b>\$ 2.20</b>    | <b>\$ 2.06</b>   |

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|   |              |    |      |    |      |    |      |
|---|--------------|----|------|----|------|----|------|
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE AND DILUTED</b> | <b>BASIC</b> | \$ | 2.13 | \$ | 2.31 | \$ | 2.65 |
|---|--------------|----|------|----|------|----|------|

**DIVIDENDS PAID PER SHARE:**

|                           |  |    |       |    |       |    |       |
|---------------------------|--|----|-------|----|-------|----|-------|
| Regular monthly dividends |  | \$ | 2.100 | \$ | 1.995 | \$ | 1.860 |
| Supplemental dividends    |  |    | 0.550 |    | 0.550 |    | 0.800 |
| Total dividends           |  | \$ | 2.650 | \$ | 2.545 | \$ | 2.660 |

|  |                          |            |            |            |
|--|--------------------------|------------|------------|------------|
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b> | <b>BASIC AND DILUTED</b> | 49,071,492 | 43,522,397 | 36,617,850 |
|--|--------------------------|------------|------------|------------|

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

(dollars in thousands, except shares)

|   | Common Stock        |              |                                  | Accumulated<br>Net<br>Investment<br>Income, Net<br>of Dividends | Accumulated<br>Net Realized<br>Gain From<br>Investments,<br>Net of<br>Dividends | Net<br>Unrealized<br>Appreciation<br>from<br>Investments,<br>Net of<br>Income<br>Taxes | Total Net<br>Asset Value |
|---|---------------------|--------------|----------------------------------|---|---|--|--------------------------|
|   | Number of<br>Shares | Par<br>Value | Additional<br>Paid-In<br>Capital |   |   |  |                          |
| <b>Balances at December 31, 2012</b>                          | 34,589,484          | \$ 346       | \$ 544,136                       | \$ 35,869   | \$ (19,155)   | \$ 81,780  | \$ 642,976               |
| Public offering of common stock, net of offering costs        | 4,600,000           | 46           | 131,407                          |   |   |  | 131,453                  |
| Share-based compensation                                      |                     |              | 4,210                            |   |   |  | 4,210                    |
| Purchase of vested stock for employee payroll tax withholding | (62,025)            | (1)          | (1,764)                          |   |   |  | (1,765)                  |
| Dividend reinvestment   | 433,218             | 4            | 13,622                           |   |   |  | 13,626                   |
| Issuance of restricted stock, net of forfeited shares         | 273,802             | 3            | (3)                              |   |   |  |                          |
| Consolidation of Internal Investment Manager                  |                     |              | 2,037                            |   |   |  | 2,037                    |
| Issuances of common stock                                     | 18,125              |              | 578                              |   |   |  | 578                      |
| Other   |                     |              | 758                              |   |   |  | 758                      |
| Dividends to stockholders                                     |                     |              |                                  | (83,739)  | (14,456)  |  | (98,195)                 |
| Net increase resulting from operations                        |                     |              |                                  | 70,648  | 7,277   | 18,930   | 96,855                   |
| <b>Balances at December 31, 2013</b>                          | 39,852,604          | \$ 398       | \$ 694,981                       | \$ 22,778   | \$ (26,334)   | \$ 100,710   | \$ 792,533               |
| <b>Balances at December 31, 2013</b>                          | 39,852,604          | \$ 398       | \$ 694,981                       | \$ 22,778   | \$ (26,334)   | \$ 100,710   | \$ 792,533               |
| Public offering of common stock, net of offering costs        | 4,600,000           | 46           | 139,651                          |   |   |  | 139,697                  |
| Share-based compensation                                      |                     |              | 4,215                            |   |   |  | 4,215                    |
| Purchase of vested stock for employee payroll tax withholding | (46,955)            |              | (1,495)                          |   |   |  | (1,495)                  |
| Dividend reinvestment   | 468,417             | 5            | 14,951                           |   |   |  | 14,956                   |
| Amortization of directors' deferred compensation              |                     |              | 297                              |   |   |  | 297                      |
| Issuance of restricted stock, net of forfeited shares         | 205,084             | 2            | (2)                              |   |   |  |                          |
| Tax benefit related to vesting of restricted shares           |                     |              | 1,008                            |   |   |  | 1,008                    |
| Dividends to stockholders                                     |                     |              |                                  | (94,649)  | (17,328)  |  | (111,977)                |
| Net increase (loss) resulting from operations                 |                     |              |                                  | 95,536  | 23,206  | (17,994)   | 100,748                  |
| <b>Balances at December 31, 2014</b>                          | 45,079,150          | \$ 451       | \$ 853,606                       | \$ 23,665   | \$ (20,456)   | \$ 82,716  | \$ 939,982               |
| <b>Balances at December 31, 2014</b>                          | 45,079,150          | \$ 451       | \$ 853,606                       | \$ 23,665   | \$ (20,456)   | \$ 82,716  | \$ 939,982               |
| Public offering of common stock, net of offering costs        | 4,510,568           | 46           | 132,003                          |   |   |  | 132,049                  |
| Share-based compensation                                      | (54,840)            | (1)          | (1,739)                          |   |   |  | (1,740)                  |

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|   |            |        |              |           |             |            |  |              |
|---|------------|--------|--------------|-----------|-------------|------------|--|--------------|
| Purchase of vested stock for employee payroll tax withholding |            |        |              |           |             |            |  |              |
| Dividend reinvestment   | 636,079    | 6      | 19,348       |           |             |            |  | 19,354       |
| Amortization of directors' deferred compensation              |            |        | 423          |           |             |            |  | 423          |
| Issuance of restricted stock, net of forfeited shares         | 242,787    | 2      | (2)          |           |             |            |  |              |
| Other   |            |        | 1,566        |           |             |            |  | 1,566        |
| Dividends to stockholders                                     |            |        |              | (123,558) | (7,881)     |            |  | (131,439)    |
| Net increase (loss) resulting from operations                 |            |        |              | 107,074   | (21,316)    | 18,679     |  | 104,437      |
| <b>Balances at December 31, 2015</b>                          | 50,413,744 | \$ 504 | \$ 1,011,467 | \$ 7,181  | \$ (49,653) | \$ 101,395 |  | \$ 1,070,894 |

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Statements of Cash Flows****(dollars in thousands)**

|   | <b>Twelve Months Ended December 31,</b> |                  |                  |
|---|---|------------------|------------------|
|   | <b>2015</b>                             | <b>2014</b>      | <b>2013</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                  |                  |
| Net increase in net assets resulting from operations  | \$ 104,437                              | \$ 100,748       | \$ 96,855        |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: |   |                  |                  |
| Investments in portfolio companies  | (838,441)                               | (831,192)        | (767,457)        |
| Proceeds from sales and repayments of debt investments in portfolio companies   | 570,454                                 | 512,084          | 446,042          |
| Proceeds from sales and return of capital of equity investments in portfolio companies                                  | 34,780                                  | 42,585           | 18,991           |
| Investments in marketable securities and idle funds investments   | (5,767)                                 | (22,691)         | (54,011)         |
| Proceeds from sales and repayments of marketable securities and idle funds investments                                  | 9,529                                   | 26,958           | 51,662           |
| Net change in net unrealized appreciation   | (9,992)                                 | 11,707           | (18,895)         |
| Net realized (gain) loss  | 21,316                                  | (23,206)         | (2,502)          |
| Accretion of unearned income  | (8,940)                                 | (10,491)         | (10,881)         |
| Payment-in-kind interest  | (3,624)                                 | (4,685)          | (5,041)          |
| Cumulative dividends  | (1,607)                                 | (1,815)          | (1,377)          |
| Share-based compensation expense  | 6,262                                   | 4,215            | 4,210            |
| Amortization of deferred financing costs  | 2,553                                   | 1,740            | 1,519            |
| Deferred tax (benefit) provision  | (11,651)                                | 3,274            | (3,591)          |
| Changes in other assets and liabilities:  |   |                  |                  |
| Interest receivable and other assets  | (3,220)                                 | (6,686)          | 87               |
| Interest payable  | (889)                                   | 2,292            | (1,006)          |
| Accounts payable and other liabilities  | 1,639                                   | 1,817            | 1,177            |
| Deferred fees and other   | 1,769                                   | 2,428            | 3,512            |
| Net cash used in operating activities   | (131,392)                               | (190,918)        | (240,706)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |                  |                  |
| Proceeds from public offering of common stock, net of offering costs  | 132,049                                 | 139,697          | 131,453          |
| Proceeds from public offering of 6.125% Notes   |   |                  | 92,000           |
| Repurchases of 6.125% Notes   | (85)                                    | (59)             | (1,108)          |
| Proceeds from public offering of 4.50% Notes  |   | 175,000          |                  |
| Dividends paid  | (110,673)                               | (95,935)         | (83,180)         |
| Proceeds from issuance of SBIC debentures   |   | 24,800           | 39,000           |
| Repayments of SBIC debentures   |   |                  | (63,800)         |
| Proceeds from credit facility   | 534,000                                 | 491,000          | 460,000          |
| Repayments on credit facility   | (461,000)                               | (510,000)        | (355,000)        |
| Payment of deferred loan costs and SBIC debenture fees  | (1,260)                                 | (6,359)          | (6,288)          |
| Other   | (1,740)                                 | (1,495)          | (1,187)          |
| Net cash provided by financing activities   | 91,291                                  | 216,649          | 211,890          |
| Net increase (decrease) in cash and cash equivalents  | (40,101)                                | 25,731           | (28,816)         |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>   | <b>60,432</b>                           | <b>34,701</b>    | <b>63,517</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <b>\$ 20,331</b>                        | <b>\$ 60,432</b> | <b>\$ 34,701</b> |

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**Supplemental cash flow disclosures:**

|               |    |        |    |        |    |        |
|---------------|----|--------|----|--------|----|--------|
| Interest paid | \$ | 30,450 | \$ | 19,559 | \$ | 19,760 |
| Taxes paid    | \$ | 2,687  | \$ | 4,152  | \$ | 2,431  |

**Non-cash financing activities:**

|                                    |    |        |    |        |    |        |
|------------------------------------|----|--------|----|--------|----|--------|
| Shares issued pursuant to the DRIP | \$ | 19,354 | \$ | 14,956 | \$ | 13,627 |
|------------------------------------|----|--------|----|--------|----|--------|

The accompanying notes are an integral part of these financial statements

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>           | <b>Business Description</b>                         | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>                        | <b>Fair Value</b>                     |
|---------------------------------------|---|--|---------------------|---------------------------------------|---------------------------------------|
| <b><u>Control Investments(5)</u></b>  |   |  |                     |                                       |                                       |
| <b>Access Media Holdings, LLC(10)</b> | Private Cable Operator                              | 5.00% Current / 5.00% PIK Secured Debt (Maturity July 22, 2020)<br>Preferred Member Units (4,500,000 units; 12% cumulative)<br>Member Units (45 units)                                 | \$ 21,554           | \$ 21,554<br>4,394<br>1               | \$ 20,380<br>2,000<br>22,380          |
| <b>AmeriTech College, LLC</b>         | For-Profit Nursing and Healthcare College           | 10% Secured Debt (Maturity May 15, 2016)<br>10% Secured Debt (Maturity November 30, 2019)<br>10% Secured Debt (Maturity January 31, 2020)<br>Preferred Member Units (294 units; 5%)(8) | 514<br>489<br>3,025 | 514<br>489<br>3,025<br>2,291<br>6,319 | 514<br>489<br>3,025<br>2,291<br>6,319 |
| <b>ASC Interests, LLC</b>             | Recreational and Educational Shooting Facility      | 11% Secured Debt (Maturity July 31, 2018)<br>Member Units (1,500 units)(8)   | 2,500               | 2,470<br>1,500<br>3,970               | 2,500<br>2,230<br>4,730               |
| <b>Bond-Coat, Inc.</b>                | Casing and Tubing Coating Services                  | 12% Secured Debt (Maturity December 28, 2017)<br>Common Stock (57,508 shares)  | 11,596              | 11,521<br>6,350<br>17,871             | 11,596<br>9,140<br>20,736             |
| <b>Café Brazil, LLC</b>               | Casual Restaurant Group                             | Member Units (1,233 units)(8)  |                     | 1,742                                 | 7,330                                 |
| <b>CBT Nuggets, LLC</b>               | Produces and Sells IT Training Certification Videos | Member Units (416 units)(8)  |                     | 1,300                                 | 42,120                                |
| <b>CMS Minerals LLC</b>               | Oil & Gas Exploration &                             |  |                     |                                       |                                       |

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|                     |  |  |        |        |        |
|---------------------|--|--|--------|--------|--------|
|                     | Production                                 | Preferred Member Units (458 units)(8)              |        | 2,967  | 6,914  |
| <b>Datacom, LLC</b> | Technology and Telecommunications Provider | 10.5% Secured Debt (Maturity May 31, 2019)         | 11,205 | 11,122 | 10,970 |
|                     |  | Class A Preferred Member Units (15% cumulative)(8) |        | 1,181  | 1,181  |
|                     |  | Class B Preferred Member Units (6,453 units)       |        | 6,030  | 5,079  |
|                     |  |  |        | 18,333 | 17,230 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                         | <b>Business Description</b>                                     | <b>Type of Investment(2)(3)</b>   | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|---|---|---------------------|----------------|-------------------|
| <b>Garreco, LLC</b>                                 | Manufacturer and Supplier of Dental Products                    | 14% Secured Debt (Maturity January 12, 2018)  | 5,800               | 5,739          | 5,739             |
|   |   | Member Units (1,200 units)  |                     | 1,200          | 1,270             |
|   |   |   |                     | 6,939          | 7,009             |
| <b>GRT Rubber Technologies LLC</b>                  | Manufacturer of Engineered Rubber Products                      | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity December 19, 2019)(9) | 16,122              | 15,988         | 15,988            |
|   |   | Member Units (5,879 units)  |                     | 13,065         | 15,580            |
|   |   |   |                     | 29,053         | 31,568            |
| <b>Gulf Manufacturing, LLC</b>                      | Manufacturer of Specialty Fabricated Industrial Piping Products | 9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017)                              | 777                 | 777            | 777               |
|   |   | Member Units (438 units)(8)   |                     | 2,980          | 13,770            |
|   |   |   |                     | 3,757          | 14,547            |
| <b>Harrison Hydra-Gen, Ltd.</b>                     | Manufacturer of Hydraulic Generators                            | 9% Secured Debt (Maturity January 8, 2016)  | 5,010               | 5,010          | 5,010             |
|   |   | Preferred Stock (8% cumulative)(8)  |                     | 1,361          | 1,361             |
|   |   | Common Stock (107,456 shares)   |                     | 718            | 2,600             |
|   |   |   |                     | 7,089          | 8,971             |
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Facilitator of Import Logistics, Brokerage, and Warehousing     | Member Units (500 units)(8)   |                     | 589            | 460               |
|   |   | Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)                                      |                     | 1,215          | 2,220             |
|   |   |   |                     | 1,804          | 2,680             |
| <b>HW Temps LLC</b>                                 | Temporary Staffing Solutions                                    | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity July 2, 2020)(9)      | 9,976               | 9,884          | 9,884             |

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|                       |  |   |        |        |
|-----------------------|--|---|--------|--------|
|                       |  | Preferred Member Units (3,200 units)(8) | 3,942  | 3,942  |
|                       |  |   | 13,826 | 13,826 |
| <b>Hydratec, Inc.</b> | Designer and Installer<br>of Micro-Irrigation<br>Systems | Common Stock (7,095 shares)(8)          | 7,095  | 14,950 |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>IDX Broker, LLC</b>  | Provider of Marketing and CRM Tools for the Real Estate Industry | 12.5% Secured Debt (Maturity November 15, 2018)   | 11,350       | 11,281  | 11,350     |
|   |  | Member Units (5,400 units)  |              | 5,606   | 6,440      |
|   |  |   |              | 16,887  | 17,790     |
| <b>Indianapolis Aviation Partners, LLC</b>                      | Fixed Base Operator  | 15% Secured Debt (Maturity January 15, 2016)  | 3,100        | 3,095   | 3,100      |
|   |  | Warrants (1,046 equivalent units)   |              | 1,129   | 2,540      |
|   |  |   |              | 4,224   | 5,640      |
| <b>Jensen Jewelers of Idaho, LLC</b>                            | Retail Jewelry Store   | Prime Plus 6.75% (Floor 2.00%), Current Coupon 10.25%, Secured Debt (Maturity November 14, 2016)(9) | 4,055        | 4,028   | 4,055      |
|   |  | Member Units (627 units)(8)   |              | 811     | 4,750      |
|   |  |   |              | 4,839   | 8,805      |
| <b>Lamb's Venture, LLC</b>                                      | Aftermarket Automotive Services Chain                            | 11% Secured Debt (Maturity May 31, 2018)  | 7,962        | 7,961   | 7,962      |
|   |  | Preferred Equity (non-voting)   |              | 328     | 328        |
|   |  | Member Units (742 units)  |              | 5,273   | 4,690      |
|   |  | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025)                 | 919          | 919     | 919        |
|   |  | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                                |              | 625     | 1,240      |
|   |  |   | 15,106       | 15,139  |            |
| <b>Lighting Unlimited, LLC</b>                                  | Commercial and Residential Lighting Products and Design Services | 8% Secured Debt (Maturity August 22, 2016)  | 1,514        | 1,514   | 1,514      |
|   |  | Preferred Equity (non-voting)   |              | 434     | 430        |
|   |  | Warrants (71 equivalent units)  |              | 54      | 40         |
|   |  | Member Units (700 units)(8)   |              | 100     | 350        |
|   |  |   |              | 2,102   | 2,334      |
| <b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b> | Fabricator of Marine and Industrial Shelters                     |   |              |         |            |

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|  |       |        |        |
|--|-------|--------|--------|
| 12% PIK Secured Debt (Maturity<br>December 28, 2017) | 9,053 | 8,967  | 8,870  |
| Preferred Member Units (3,810 units)                 |       | 5,352  | 4,881  |
|  |       | 14,319 | 13,751 |

|                              |   |   |        |        |        |
|------------------------------|---|---|--------|--------|--------|
| <b>MH Corbin Holding LLC</b> | Manufacturer and distributor of traffic safety products | 10% Secured Debt (Maturity August 31, 2020) | 14,000 | 13,869 | 13,869 |
|                              |   | Preferred Member Units (4,000 shares)       |        | 6,000  | 6,000  |
|                              |   |   |        | 19,869 | 19,869 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>              | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>   | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|--|---|---|---------------------|----------------|-------------------|
| <b>Mid-Columbia Lumber Products, LLC</b> | Manufacturer of Finger-Jointed Lumber Products                        | 10% Secured Debt (Maturity December 18, 2017)   | 1,750               | 1,750          | 1,750             |
|  |   | 12% Secured Debt (Maturity December 18, 2017)   | 3,900               | 3,900          | 3,900             |
|  |   | Member Units (2,829 units)  |                     | 1,244          | 2,580             |
|  |   | 9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)                         | 881                 | 881            | 881               |
|  |   | Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)                                       |                     | 250            | 550               |
|  |   |   |                     | 8,025          | 9,661             |
| <b>MSC Adviser I, LLC(16)</b>            | Third Party Investment Advisory Services                              | Member Units (Fully diluted 100.0%)(8)  |                     |                | 27,272            |
| <b>Mystic Logistics Holdings, LLC</b>    | Logistics and Distribution Services Provider for Large Volume Mailers | 12% Secured Debt (Maturity August 15, 2019)   | 9,448               | 9,282          | 9,448             |
|  |   | Common Stock (5,873 shares)(8)  |                     | 2,720          | 5,970             |
|  |   |   |                     | 12,002         | 15,418            |
| <b>NAPCO Precast, LLC</b>                | Precast Concrete Manufacturing  | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity January 31, 2016)(9) | 625                 | 625            | 625               |
|  |   | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2016)(9) | 3,380               | 3,379          | 3,380             |
|  |   | 18% Secured Debt (Maturity February 1, 2016)  | 4,924               | 4,923          | 4,924             |
|  |   | Member Units (2,955 units)(8)   |                     | 2,975          | 8,590             |
|  |   |   |                     | 11,902         | 17,519            |
| <b>NRI Clinical Research, LLC</b>        | Clinical Research Service Provider                                    | 14% Secured Debt (Maturity September 8, 2017)   | 4,617               | 4,539          | 4,539             |
|  |   | Warrants (251,723 equivalent units)   |                     | 252            | 340               |
|  |   | Member Units (1,454,167 units)  |                     | 765            | 1,342             |
|  |   |   |                     | 5,556          | 6,221             |
| <b>NRP Jones, LLC</b>                    |   |   |                     |                |                   |

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|                           |  |  |        |        |        |
|---------------------------|--|--|--------|--------|--------|
|                           | Manufacturer of Hoses,<br>Fittings and<br>Assemblies | 12% Secured Debt (Maturity<br>December 22, 2016) | 13,224 | 12,948 | 12,948 |
|                           |  | Warrants (14,331 equivalent units)               |        | 817    | 450    |
|                           |  | Member Units (50,877 units)                      |        | 2,900  | 1,480  |
|                           |  |  |        | 16,665 | 14,878 |
| <b>OMi Holdings, Inc.</b> | Manufacturer of<br>Overhead Cranes                   | Common Stock (1,500 shares)                      |        | 1,080  | 13,640 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                           | Business Description  | Type of Investment(2)(3)   | Principal(4)   | Cost(4)                          | Fair Value                     |
|--|---|--|----------------|----------------------------------|--------------------------------|
| <b>Pegasus Research Group, LLC (Televerde)</b> | Provider of Telemarketing and Data Services                         | Member Units (460 units)(8)  |                | 1,290                            | 6,840                          |
| <b>PPL RVs, Inc.</b>                           | Recreational Vehicle Dealer   | 11.1% Secured Debt (Maturity July 1, 2016)<br>Common Stock (1,962 shares)  | 9,710          | 9,710<br>2,150                   | 9,710<br>9,770                 |
|  |   |  |                | 11,860                           | 19,480                         |
| <b>Principle Environmental, LLC</b>            | Noise Abatement Service Provider                                    | 12% Secured Debt (Maturity April 30, 2017)<br>12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)<br>Preferred Member Units (19,631 units)(8)<br>Warrants (1,036 equivalent units) | 4,060<br>3,310 | 4,039<br>3,309<br>4,663<br>1,200 | 4,060<br>3,310<br>6,060<br>310 |
|  |   |  |                | 13,211                           | 13,740                         |
| <b>Quality Lease Service, LLC</b>              | Provider of Rigsite Accommodation Unit Rentals and Related Services | 8% PIK Secured Debt (Maturity June 8, 2020)<br>Member Units (1,000 units)  | 6,538          | 6,538<br>568                     | 6,538<br>2,638                 |
|  |   |  |                | 7,106                            | 9,176                          |
| <b>River Aggregates, LLC</b>                   | Processor of Construction Aggregates                                | Zero Coupon Secured Debt (Maturity June 30, 2018)<br>Member Units (1,150 units)(8)<br>Member Units (RA Properties, LLC) (1,500 units)  | 750            | 556<br>1,150<br>369              | 556<br>3,830<br>2,360          |
|  |   |  |                | 2,075                            | 6,746                          |
| <b>SoftTouch Medical Holdings LLC</b>          | Home Provider of Pediatric Durable Medical Equipment                | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity October 31, 2019)(9)<br>Member Units (4,450 units)(8)  | 8,075          | 8,010<br>4,930                   | 8,010<br>5,710                 |

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12,940 13,720

|                         |                             |   |        |        |        |
|-------------------------|-----------------------------|---|--------|--------|--------|
| <b>Southern RV, LLC</b> | Recreational Vehicle Dealer | 13% Secured Debt (Maturity August 8, 2018)                                | 11,400 | 11,296 | 11,400 |
|                         |                             | Member Units (1,680 units)(8)   |        | 1,680  | 15,100 |
|                         |                             | 13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018) | 3,250  | 3,220  | 3,250  |
|                         |                             | Member Units (Southern RV Real Estate, LLC) (480 units)                   |        | 480    | 1,200  |
|                         |                             |   |        | 16,676 | 30,950 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>   | <b>Business Description</b>                                       | <b>Type of Investment(2)(3)</b>                                      | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|-------------------------------|---|--|---------------------|----------------|-------------------|
| <b>The MPI Group, LLC</b>     | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 2, 2018)                           | 2,924               | 2,921          | 2,921             |
|                               |   | Series A Preferred Units (2,500 units; 10% Cumulative)               |                     | 2,500          | 690               |
|                               |   | Warrants (1,424 equivalent units)                                    |                     | 1,096          |                   |
|                               |   | Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted)(8) |                     | 2,300          | 2,230             |
|                               |   |  |                     |                | 8,817             |
| <b>Travis Acquisition LLC</b> | Manufacturer of Aluminum Trailers                                 | 12% Secured Debt (Maturity August 30, 2018)                          | 3,513               | 3,471          | 3,513             |
|                               |   | Member Units (7,282 units)   |                     | 7,100          | 14,480            |
|                               |   |  |                     | 10,571         | 17,993            |
| <b>Uvalco Supply, LLC</b>     | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019)                           | 1,314               | 1,314          | 1,314             |
|                               |   | Member Units (2,011 units)(8)  |                     | 3,843          | 5,460             |
|                               |   |  |                     | 5,157          | 6,774             |
| <b>Vision Interests, Inc.</b> | Manufacturer / Installer of Commercial Signage                    | 13% Secured Debt (Maturity December 23, 2016)                        | 3,071               | 3,052          | 3,052             |
|                               |   | Series A Preferred Stock (3,000,000 shares)                          |                     | 3,000          | 3,550             |
|                               |   | Common Stock (1,126,242 shares)                                      |                     | 3,706          | 210               |
|                               |   |  |                     | 9,758          | 6,812             |
| <b>Ziegler's NYPD, LLC</b>    | Casual Restaurant Group   | 6.5% Secured Debt (Maturity October 1, 2019)                         | 1,000               | 992            | 992               |
|                               |   | 12% Secured Debt (Maturity October 1, 2019)                          | 500                 | 500            | 500               |
|                               |   | 14% Secured Debt (Maturity October 1, 2019)                          | 2,750               | 2,750          | 2,750             |
|                               |   | Warrants (587 equivalent units)                                      |                     | 600            | 50                |
|                               |   | Preferred Member Units (10,072 units)                                |                     | 2,834          | 3,400             |
|                               |   |  |                     | 7,676          | 7,692             |

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|  |            |            |
|--|------------|------------|
| <b>Subtotal Control Investments (30.8% of total investments at fair value)</b> | \$ 387,727 | \$ 555,011 |
|--|------------|------------|



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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments (Continued)

December 31, 2015  
(dollars in thousands)

| Portfolio Company(1)                   | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)      | Fair Value   |
|--|---|--|--------------|--------------|--------------|
| <b><u>Affiliate Investments(6)</u></b> |   |  |              |              |              |
| AFG Capital Group, LLC                 | Provider of Rent-to-Own Financing Solutions and Services                  | 11% Secured Debt (Maturity November 7, 2019)   | \$ 12,960    | \$ 12,611    | \$ 12,790    |
|  |   | Warrants (42 equivalent units)<br>Member Units (186 units)                                     |              | 259<br>1,200 | 490<br>2,020 |
|  |   |  |              | 14,070       | 15,300       |
| Boss Industries, LLC                   | Manufacturer and Distributor of Air, Power and Other Industrial Equipment | Preferred Member Units (2,242 units)(8)  |              | 2,246        | 2,586        |
| Bridge Capital Solutions Corporation   | Financial Services and Cash Flow Solutions Provider                       | 13% Secured Debt (Maturity April 18, 2017)   | 7,000        | 6,890        | 6,890        |
|  |   | Warrants (22 equivalent shares)  |              | 200          | 1,300        |
|  |   |  |              | 7,090        | 8,190        |
| Buca C, LLC                            | Casual Restaurant Group   | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity June 30, 2020)(9) | 25,530       | 25,299       | 25,299       |
|  |   | Preferred Member Units (6 units; 6% cumulative)(8)   |              | 3,711        | 3,711        |
|  |   |  |              | 29,010       | 29,010       |
| CAI Software LLC                       | Provider of Specialized Enterprise Resource Planning Software             | 12% Secured Debt (Maturity October 10, 2019)   | 4,661        | 4,624        | 4,661        |
|  |   | Member Units (65,356 units)  |              | 654          | 1,000        |
|  |   |  |              | 5,278        | 5,661        |
| Condit Exhibits, LLC                   | Tradeshaw Exhibits / Custom Displays Provider                             | Member Units (3,936 units)(8)  |              | 100          | 1,010        |
|  |   | Investment Partnership   |              |              |              |

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**Congruent Credit Opportunities  
Funds(12)(13)**

|   |        |        |
|---|--------|--------|
| LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  | 6,612  | 2,834  |
| LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) | 12,020 | 12,024 |
|   | 18,632 | 14,858 |

|                     |                                   |  |        |        |
|---------------------|-----------------------------------|--|--------|--------|
| <b>Daseke, Inc.</b> | Specialty Transportation Provider |  |        |        |
|                     |                                   | 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018) | 21,253 | 21,003 |
|                     |                                   | Common Stock (19,467 shares)                                 |        | 5,213  |
|                     |                                   |  | 26,216 | 43,913 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                     | <b>Business Description</b>                            | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|--|--|---------------------|----------------|-------------------|
| <b>Dos Rios Partners(12)(13)</b>                | Investment Partnership                                 | LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)               |                     | 3,104          | 2,031             |
|   |  | LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)              |                     | 986            | 648               |
|   |  |  |                     | 4,090          | 2,679             |
| <b>East Teak Fine Hardwoods, Inc.</b>           | Distributor of Hardwood Products                       | Common Stock (6,250 shares)(8)   |                     | 480            | 860               |
| <b>East West Copolymer &amp; Rubber, LLC</b>    | Manufacturer of Synthetic Rubbers                      | 12% Secured Debt (Maturity October 17, 2019)                             | 9,600               | 9,463          | 9,463             |
|   |  | Warrants (2,510,790 equivalent units)                                    |                     | 50             | 50                |
|   |  |  |                     | 9,513          | 9,513             |
| <b>EIG Traverse Co-Investment, L.P.(12)(13)</b> | Investment Partnership                                 | LP Interests (Fully diluted 6.6%)(8)                                     |                     | 4,755          | 4,755             |
| <b>Freeport Financial Funds(12)(13)</b>         | Investment Partnership                                 | LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.9%)(8)   |                     | 5,974          | 6,045             |
|   |  | LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.4%) |                     | 2,077          | 2,077             |
|   |  |  |                     | 8,051          | 8,122             |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b>  | Purchases and Manages Liquidation of Distressed Assets | 10% Secured Debt (Maturity November 21, 2016)                            | 13,046              | 12,896         | 10,930            |
|   |  | Warrants (29,025 equivalent units)                                       |                     | 400            |                   |
|   |  |  |                     | 13,296         | 10,930            |
| <b>Glowpoint, Inc.</b>                          | Provider of Cloud Managed Video Collaboration Services | 8% Secured Debt (Maturity October 18, 2018)                              | 400                 | 397            | 397               |
|   |  | 12% Secured Debt (Maturity October 18, 2018)                             | 9,000               | 8,929          | 8,929             |
|   |  | Common Stock (7,711,517 shares)  |                     | 3,958          | 3,840             |
|   |  |  |                     | 13,284         | 13,166            |
| <b>Guerdon Modular Holdings, Inc.</b>           |  |  |                     |                |                   |

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|  |  |  |        |        |        |
|--|--|--|--------|--------|--------|
|  | Multi-Family and Commercial Modular Construction Company | 13% Secured Debt (Maturity August 13, 2019)                | 10,400 | 10,280 | 10,280 |
|  |  | Common Stock (170,577 shares)                              |        | 2,983  | 1,990  |
|  |  |  |        | 13,263 | 12,270 |
| <b>Houston Plating and Coatings, LLC</b> | Provider of Plating and Industrial Coating Services      | Member Units (248,082 units)(8)                            |        | 996    | 8,440  |
| <b>I-45 SLF LLC(12)(13)</b>              | Investment Partnership                                   | Member units (Fully diluted 20.0%; 24.4% profits interest) |        | 7,200  | 7,200  |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                        | Business Description   | Type of Investment(2)(3)                              | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Indianhead Pipeline Services, LLC</b>    | Provider of Pipeline Support Services                                  | 12% Secured Debt (Maturity February 6, 2017)          | 6,000        | 5,853   | 5,853      |
|   |  | Preferred Member Units (33,819 units; 8% cumulative)  |              | 2,302   | 2,302      |
|   |  | Warrants (31,928 equivalent units)                    |              | 459     |            |
|   |  | Member Units (14,732 units)                           |              | 1       |            |
|   |  |   |              | 8,615   | 8,155      |
| <b>KBK Industries, LLC</b>                  | Manufacturer of Specialty Oilfield and Industrial Products             | 12.5% Secured Debt (Maturity September 28, 2017)      | 5,900        | 5,875   | 5,900      |
|   |  | Member Units (250 units)(8)                           |              | 341     | 3,680      |
|   |  |   |              | 6,216   | 9,580      |
| <b>L.F. Manufacturing Holdings, LLC(10)</b> | Manufacturer of Fiberglass Products                                    | Member Units (2,179,001 units)(8)                     |              | 2,019   | 1,485      |
| <b>MPS Denver, LLC</b>                      | Specialty Card Printing  | Member Units (13,800 units)                           |              | 1,130   | 1,130      |
| <b>OnAsset Intelligence, Inc.</b>           | Provider of Transportation Monitoring / Tracking Products and Services | 12% PIK Secured Debt (Maturity December 31, 2015)(17) | 4,006        | 4,006   | 4,006      |
|   |  | Preferred Stock (912 shares; 7% cumulative)(8)        |              | 1,981   | 1,380      |
|   |  | Warrants (5,333 equivalent shares)                    |              | 1,919   |            |
|   |  |   |              | 7,906   | 5,386      |
| <b>OPI International Ltd.(13)</b>           | Provider of Man Camp and Industrial Storage Services                   | 10% Unsecured Debt (Maturity April 8, 2018)           | 473          | 473     | 473        |
|   |  | Common Stock (20,766,317 shares)                      |              | 1,371   | 3,200      |
|   |  |   |              | 1,844   | 3,673      |
| <b>PCI Holding Company, Inc.</b>            | Manufacturer of Industrial Gas Generating Systems                      | Preferred Stock (1,500,000 shares; 20% cumulative)(8) |              | 2,762   | 4,887      |

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|                                      |  |  |       |       |       |
|--------------------------------------|--|--|-------|-------|-------|
| <b>Radial Drilling Services Inc.</b> | Oil and Gas Lateral<br>Drilling Technology<br>Provider | 12% Secured Debt (Maturity<br>November 22, 2016)(14) | 4,200 | 3,941 | 1,500 |
|                                      |  | Warrants (316 equivalent shares)                     |       | 758   |       |
|                                      |  |  |       | 4,699 | 1,500 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|--|---|--------------|---------|------------|
| <b>Rocacea, LLC (Quality Lease and Rental Holdings, LLC)</b> | Provider of Rigsite Accommodation Unit Rentals and Related Services              | 12% Secured Debt (Maturity January 8, 2018)(14)(18)   | 30,785       | 30,281  | 250        |
|  |  | Preferred Member Units (250 units)  |              | 2,500   |            |
|  |  |   |              | 32,781  | 250        |
| <b>Samba Holdings, Inc.</b>                                  | Provider of Intelligent Driver Record Monitoring Software and Services           | 12.5% Secured Debt (Maturity November 17, 2016)   | 24,662       | 24,553  | 24,662     |
|  |  | Common Stock (170,963 shares)   |              | 2,087   | 30,220     |
|  |  |   |              | 26,640  | 54,882     |
| <b>Tin Roof Acquisition Company</b>                          | Casual Restaurant Group  | 12% Secured Debt (Maturity November 13, 2018)   | 13,994       | 13,807  | 13,807     |
|  |  | Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)  |              | 2,477   | 2,477      |
|  |  |   |              | 16,284  | 16,284     |
| <b>UniTek Global Services, Inc.(11)</b>                      | Provider of Outsourced Infrastructure Services                                   | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity January 13, 2019)(9)             | 2,826        | 2,826   | 2,812      |
|  |  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50% / 1.00% PIK, Secured Debt (Maturity January 13, 2019)(9) | 1,261        | 1,261   | 1,255      |
|  |  | 15% PIK Unsecured Debt (Maturity July 13, 2019)   | 641          | 641     | 638        |
|  |  | Preferred Stock (4,935,377 shares)<br>Common Stock (705,054 shares)   |              | 4,935   | 5,540      |
|  |  |   |              | 9,663   | 10,245     |
| <b>Universal Wellhead Services Holdings, LLC(10)</b>         | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Class A Preferred Units (4,000,000 units; 4.5% cumulative)(8)   |              | 4,000   | 3,000      |

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|  |  |   |                   |                   |        |
|--|--|---|-------------------|-------------------|--------|
| <b>Volusion, LLC</b>   | Provider of Online<br>Software-as-a-Service<br>eCommerce Solutions |   |                   |                   |        |
|  |  | 10.5% Secured Debt (Maturity<br>January 26, 2020) | 17,500            | 16,199            | 16,199 |
|  |  | Preferred Member Units (4,876,670 units)          |                   | 14,000            | 14,000 |
|  |  | Warrants (950,618 equivalent units)               |                   | 1,400             | 1,400  |
|  |  |   |                   | 31,599            | 31,599 |
| <b>Subtotal Affiliate Investments (19.4% of total investments at fair value)</b> |  |   | <b>\$ 333,728</b> | <b>\$ 350,519</b> |        |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                                   | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4)  | Fair Value |
|--|--|---|--------------|----------|------------|
| <b><u>Non-Control/Non-Affiliate Investments(7)</u></b> |  |   |              |          |            |
| <b>AccuMED, Corp.(10)</b>                              | Medical Device<br>Contract Manufacturer  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity October 29, 2020)(9)   | \$ 9,750     | \$ 9,648 | \$ 9,648   |
| <b>Adams Publishing Group, LLC(10)</b>                 | Local Newspaper<br>Operator  | LIBOR Plus 6.75% (Floor 1.00%),<br>Current Coupon 7.75%, Secured Debt<br>(Maturity November 3, 2020)(9)   | 9,506        | 9,329    | 9,328      |
| <b>Ahead, LLC(10)</b>                                  | IT Infrastructure Value<br>Added Reseller  | LIBOR Plus 6.50%, Current Coupon<br>6.76%, Secured Debt (Maturity<br>November 2, 2020)                    | 15,000       | 14,562   | 14,625     |
| <b>Allflex Holdings III Inc.(11)</b>                   | Manufacturer of<br>Livestock<br>Identification Products  | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity July 19, 2021)(9)      | 10,150       | 10,080   | 10,008     |
| <b>AM General LLC(11)</b>                              | Specialty Vehicle<br>Manufacturer  | LIBOR Plus 9.00% (Floor 1.25%),<br>Current Coupon 10.25%, Secured Debt<br>(Maturity March 22, 2018)(9)    | 2,256        | 2,221    | 1,867      |
| <b>AM3 Pinnacle Corporation(10)</b>                    | Provider of<br>Comprehensive<br>Internet, TV and Voice<br>Services for Multi-<br>Dwelling Unit<br>Properties | Common Stock (60,240 shares)  |              | 2,000    |            |
| <b>American Seafoods Group, LLC(11)</b>                | Catcher-Processor of<br>Alaskan Pollock  | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity August 19, 2021)(9)    | 9,975        | 9,963    | 9,892      |
| <b>AMF Bowling Centers, Inc.(11)</b>                   | Bowling Alley<br>Operator  | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity September 18, 2021)(9) | 7,907        | 7,802    | 7,835      |
| <b>Anchor Hocking, LLC(11)</b>                         |  |   |              |          |            |

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Household Products  
Manufacturer

|  |       |       |       |
|--|-------|-------|-------|
| LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity June 4, 2018)(9) | 2,306 | 2,306 | 2,179 |
| Member Units (440,620 units)   |       | 4,928 | 3,250 |
|  |       | 7,234 | 5,429 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)              | Business Description  | Type of Investment(2)(3)  | Principal(4)    | Cost(4)                   | Fair Value                |
|-----------------------------------|---|---|-----------------|---------------------------|---------------------------|
| <b>AP Gaming I, LLC(10)</b>       | Developer, Manufacturer, and Operator of Gaming Machines        | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity December 20, 2020)(9)  | 11,314          | 11,108                    | 10,946                    |
| <b>Apex Linen Service, Inc.</b>   | Industrial Launderers   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 30, 2022)(9)<br>13% Secured Debt (Maturity October 30, 2022) | 1,600<br>12,000 | 1,600<br>11,926<br>13,526 | 1,600<br>11,926<br>13,526 |
| <b>Applied Products, Inc.(10)</b> | Adhesives Distributor   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 30, 2019)(9)   | 5,813           | 5,759                     | 5,683                     |
| <b>Arcus Hunting LLC.(10)</b>     | Manufacturer of Bowhunting and Archery Products and Accessories | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity November 13, 2019)(9)  | 9,540           | 9,429                     | 9,429                     |
| <b>Artel, LLC(11)</b>             | Provider of Secure Satellite Network and IT Solutions           | LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity November 27, 2017)(9)  | 7,854           | 7,585                     | 6,716                     |
| <b>ATS Workholding, Inc.(10)</b>  | Manufacturer of Machine Cutting Tools and Accessories           | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 10, 2019)(9)   | 6,492           | 6,452                     | 6,230                     |
| <b>ATX Networks Corp.(11)(13)</b> | Provider of Radio Frequency Management Equipment                | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity June 14, 2021)(9)  | 14,925          | 14,647                    | 14,701                    |
| <b>Barfly Ventures, LLC(10)</b>   | Casual Restaurant Group   |   |                 |                           |                           |

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|   |       |       |       |
|---|-------|-------|-------|
| 12% Secured Debt (Maturity August 31, 2020) | 4,121 | 4,042 | 4,042 |
| Warrants (1 equivalent share)               |       | 473   | 473   |
|   |       | 4,515 | 4,515 |

|                                 |   |       |       |       |
|---------------------------------|---|-------|-------|-------|
| <b>Berry Aviation, Inc.(10)</b> | Airline Charter Service Operator                                    |       |       |       |
|                                 | 12.00% Current / 1.75% PIK Secured Debt (Maturity January 30, 2020) | 5,627 | 5,578 | 5,578 |
|                                 | Common Stock (553 shares)   |       | 400   | 400   |
|                                 |   |       | 5,978 | 5,978 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description                                 | Type of Investment(2)(3)  | Principal(4) | Cost(4)               | Fair Value            |
|---|--|---|--------------|-----------------------|-----------------------|
| <b>Bioventus LLC(10)</b>                        | Production of Orthopedic Healing Products            | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity April 10, 2020)(9)   | 5,000        | 4,917                 | 4,925                 |
| <b>Blackbrush Oil and Gas LP(11)</b>            | Oil & Gas Exploration                                | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity July 30, 2021)(9)  | 4,000        | 3,975                 | 3,230                 |
| <b>Blackhawk Specialty Tools LLC(11)</b>        | Oilfield Equipment & Services                        | LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity August 1, 2019)(9)   | 5,892        | 5,866                 | 5,450                 |
| <b>Blue Bird Body Company(11)</b>               | School Bus Manufacturer                              | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity June 26, 2020)(9)  | 4,702        | 4,646                 | 4,669                 |
| <b>Bluestem Brands, Inc.(11)(13)</b>            | Multi-Channel Retailer of General Merchandise        | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 6, 2020)(9)   | 13,632       | 13,358                | 12,780                |
| <b>Brainworks Software, LLC(10)</b>             | Advertising Sales and Newspaper Circulation Software | Prime Plus 7.25% (Floor 3.25%), Current Coupon 10.75%, Secured Debt (Maturity July 22, 2019)(9)<br>LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity July 22, 2019)(9) | 626<br>6,185 | 620<br>6,126<br>6,746 | 620<br>6,012<br>6,632 |
| <b>Brightwood Capital Fund III, LP(12)(13)</b>  | Investment Partnership                               | LP Interests (Fully diluted 1.6%)(8)  |              | 11,250                | 11,125                |
| <b>Brundage-Bone Concrete Pumping, Inc.(11)</b> | Construction Services Provider                       | 10.375% Secured Debt (Maturity September 1, 2021)   | 2,500        | 2,500                 | 2,438                 |
| <b>Calloway Laboratories, Inc.(10)</b>          | Health Care Testing Facilities                       |   |              |                       |                       |

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|  |       |       |       |
|--|-------|-------|-------|
| 17% PIK Secured Debt (Maturity September 30, 2016)(14) | 7,324 | 7,275 |       |
| Warrants (125,000 equivalent shares)                   |       | 17    |       |
|  |       |       | 7,292 |

|  |  |   |       |       |       |
|--|--|---|-------|-------|-------|
| <b>Cengage Learning Acquisitions, Inc.(11)</b> | Provider of Educational Print and Digital Services | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity March 31, 2020)(9) | 9,720 | 9,672 | 9,502 |
|--|--|---|-------|-------|-------|

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**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                    | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>          | <b>Fair Value</b>       |
|--|---|--|---------------------|-------------------------|-------------------------|
| <b>Cenveo Corporation(11)</b>                  | Provider of Commercial Printing, Envelopes, Labels, and Printed Office Products | 6% Secured Debt (Maturity August 1, 2019)  | 5,230               | 4,544                   | 3,687                   |
| <b>CGSC of Delaware Holdings Corp.(11)(13)</b> | Insurance Brokerage Firm  | LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)  | 2,000               | 1,979                   | 1,900                   |
| <b>Charlotte Russe, Inc(11)</b>                | Fast-Fashion Retailer to Young Women  | LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)      | 14,346              | 14,065                  | 10,031                  |
| <b>Clarius ASIG, LLC(10)</b>                   | Prints & Advertising Film Financing   | 15% PIK Secured Debt (Maturity September 14, 2014)(17)   | 620                 | 620                     | 620                     |
| <b>Clarius BIGS, LLC(10)</b>                   | Prints & Advertising Film Financing   | 15% PIK Secured Debt (Maturity January 5, 2015)(14)(17)  | 3,386               | 3,386                   | 563                     |
| <b>Compact Power Equipment, Inc.</b>           | Equipment / Tool Rental   | 12% Secured Debt (Maturity October 1, 2017)<br>Series A Preferred Stock (4,298,435 shares)         | 4,100               | 4,090<br>1,079<br>5,169 | 4,100<br>2,930<br>7,030 |
| <b>Compuware Corporation(11)</b>               | Provider of Software and Supporting Services                                    | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity December 15, 2019)(9) | 14,751              | 14,395                  | 13,998                  |
| <b>Covenant Surgical Partners, Inc.(11)</b>    | Ambulatory Surgical Centers   | 8.75% Secured Debt (Maturity August 1, 2019)   | 800                 | 800                     | 780                     |
| <b>CRGT Inc.(11)</b>                           | Provider of Custom Software Development   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 19, 2020)(9) | 10,168              | 10,009                  | 10,118                  |

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|                                |                              |  |        |               |               |
|--------------------------------|------------------------------|--|--------|---------------|---------------|
| <b>CST Industries Inc.(11)</b> | Storage Tank<br>Manufacturer | LIBOR Plus 6.25% (Floor 1.50%), Current<br>Coupon 7.75%, Secured Debt (Maturity<br>May 22, 2017)(9)        | 8,227  | 8,197         | 8,145         |
| <b>Darr Equipment LP(10)</b>   | Heavy Equipment<br>Dealer    | 11.75% Current / 2% PIK Secured Debt<br>(Maturity - April 15, 2020)<br>Warrants (915,734 equivalent units) | 20,706 | 20,178<br>474 | 19,688<br>410 |
|                                |                              |  |        | 20,652        | 20,098        |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description                                     | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Digital River, Inc.(11)</b>                  | Provider of Outsourced e-Commerce Solutions and Services | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity February 12, 2021)(9)    | 8,667        | 8,588   | 8,580      |
| <b>Digity Media LLC(11)</b>                     | Radio Station Operator                                   | LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity February 8, 2019)(9)     | 6,588        | 6,539   | 6,506      |
| <b>Drilling Info Holdings, Inc.</b>             | Information Services for the Oil and Gas Industry        | Common Stock (3,788,865 shares)   |              | 1,335   | 9,920      |
| <b>ECP-PF Holdings Group, Inc.(10)</b>          | Fitness Club Operator                                    | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity November 26, 2019)(9)   | 5,625        | 5,579   | 5,492      |
| <b>EIG Fund Investments(12)(13)</b>             | Investment Partnership                                   | LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 0.5%)                              |              | 718     | 718        |
| <b>EnCap Energy Fund Investments(12)(13)</b>    | Investment Partnership                                   | LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)                           |              | 3,762   | 2,765      |
|   |  | LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)                |              | 2,194   | 1,056      |
|   |  | LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)                             |              | 3,075   | 3,826      |
|   |  | LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)                                 |              | 692     | 692        |
|   |  | LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)                         |              | 7,350   | 10,738     |
|   |  | LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)                           |              | 464     | 892        |
|   |  |   |              | 17,537  | 19,969     |
| <b>Energy and Exploration Partners, LLC(11)</b> | Oil & Gas Exploration & Production                       | 8.75% Secured Debt (Maturity January 23, 2016)(14)  | 221          | 221     | 221        |
|   |  | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity January 22, 2019)(9)(14) | 9,390        | 9,048   | 2,371      |
|   |  |   |              | 9,269   | 2,592      |

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|   |  |   |       |       |       |
|---|--|---|-------|-------|-------|
| <b>Evergreen Skills Lux S.á r.l. (d/b/a Skillssoft)(11)(13)</b> | Technology-based Performance Support Solutions | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity April 28, 2022)(9)   | 7,000 | 6,838 | 4,673 |
| <b>Extreme Reach, Inc.(11)</b>                                  | Integrated TV and Video Advertising Platform   | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity February 7, 2020)(9) | 8,875 | 8,866 | 8,731 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>               | <b>Business Description</b>  | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|--|--|---------------------|----------------|-------------------|
| <b>Flavors Holdings Inc.(11)</b>          | Global Provider of Flavoring and Sweetening Products and Solutions | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity April 3, 2020)(9)     | 11,333              | 11,004         | 10,086            |
| <b>Fram Group Holdings, Inc.(11)</b>      | Manufacturer of Automotive Maintenance Products                    | LIBOR Plus 5.50% (Floor 1.50%), Current Coupon 7.00%, Secured Debt (Maturity July 29, 2017)(9)     | 9,652               | 9,547          | 7,275             |
|   |  | LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 29, 2018)(9) | 700                 | 699            | 350               |
|   |  |  |                     | 10,246         | 7,625             |
| <b>GI KBS Merger Sub LLC(11)</b>          | Outsourced Janitorial Services to Retail/Grocery Customers         | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2021)(9)  | 3,960               | 3,901          | 3,742             |
|   |  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity April 29, 2022)(9)    | 800                 | 786            | 792               |
|   |  |  |                     | 4,687          | 4,534             |
| <b>Grace Hill, LLC(10)</b>                | Online Training Tools for the Multi-Family Housing Industry        | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)   | 9,450               | 9,361          | 9,450             |
| <b>Great Circle Family Foods, LLC(10)</b> | Quick Service Restaurant Franchise                                 | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 28, 2019)(9)  | 7,849               | 7,783          | 7,783             |
| <b>Grupo Hima San Pablo, Inc.(11)</b>     | Tertiary Care Hospitals  | LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9)  | 4,863               | 4,816          | 4,668             |
|   |  | 13.75% Secured Debt (Maturity July 31, 2018)   | 2,000               | 1,942          | 1,860             |

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|   |  |  |        |        |       |
|---|--|--|--------|--------|-------|
|   |  |  | 6,758  | 6,528  |       |
| <b>GST Autoleather, Inc.(11)</b>        | Automotive Leather<br>Manufacturer       | LIBOR Plus 5.50% (Floor 1.00%), Current<br>Coupon 6.50%, Secured Debt (Maturity<br>July 10, 2020)(9) | 9,875  | 9,797  | 9,529 |
| <b>Guitar Center, Inc.(11)</b>          | Musical Instruments<br>Retailer          | 6.5% Secured Debt (Maturity April 15,<br>2019)   | 11,000 | 10,442 | 9,240 |
| <b>Halcon Resources Corporation(11)</b> | Oil & Gas<br>Exploration &<br>Production | 9.75% Unsecured Debt (Maturity July 15,<br>2020)   | 6,925  | 6,382  | 2,008 |

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**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                   | <b>Business Description</b>                                 | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|---|--|---------------------|----------------|-------------------|
| <b>Hojeij Branded Foods, LLC(10)</b>          | Multi-Airport, Multi-Concept Restaurant Operator            | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity July 27, 2021)(9)     | 5,344               | 5,294          | 5,294             |
| <b>Horizon Global Corporation(11)</b>         | Auto Parts Manufacturer                                     | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity June 30, 2021)(9)     | 9,750               | 9,568          | 9,677             |
| <b>Hostway Corporation(11)</b>                | Managed Services and Hosting Provider                       | LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity December 13, 2019)(9) | 11,179              | 11,105         | 11,067            |
| <b>Hunter Defense Technologies, Inc.(11)</b>  | Provider of Military and Commercial Shelters and Systems    | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity August 5, 2019)(9)    | 6,414               | 6,366          | 6,350             |
| <b>ICON Health &amp; Fitness, Inc.(11)</b>    | Producer of Fitness Products                                | 11.875% Secured Debt (Maturity October 15, 2016)   | 6,956               | 6,907          | 6,608             |
| <b>iEnergizer Limited(11)(13)</b>             | Provider of Business Outsourcing Solutions                  | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)       | 8,110               | 8,030          | 7,502             |
| <b>Indivior Finance LLC(11)(13)</b>           | Specialty Pharmaceutical Company Treating Opioid Dependence | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 19, 2019)(9) | 7,125               | 6,759          | 6,697             |
| <b>Industrial Container Services, LLC(10)</b> | Steel Drum Reconditioner                                    | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity December 31, 2018)(9) | 5,000               | 5,000          | 5,000             |
| <b>Infinity Acquisition Finance Corp.(11)</b> | Application Software for Capital Markets                    |  | 4,000               | 4,000          | 3,440             |

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|   |   |   |       |       |       |
|---|---|---|-------|-------|-------|
|   |   | 7.25% Unsecured Debt (Maturity August 1, 2022)  |       |       |       |
| <b>Inn of the Mountain Gods Resort and Casino(11)</b> | Hotel & Casino Owner & Operator             | 9.25% Secured Debt (Maturity November 30, 2020)   | 3,851 | 3,708 | 3,562 |
| <b>Insurance Technologies, LLC(10)</b>                | Illustration and Sales-automation Platforms | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity December 1, 2019)(9) | 4,804 | 4,759 | 4,759 |

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**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                        | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>   | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|--|---|---|---------------------|----------------|-------------------|
| <b>Intertain Group Limited(11)(13)</b>             | Business-to-Consumer<br>Online Gaming<br>Operator                         | LIBOR Plus 6.50% (Floor 1.00%), Current<br>Coupon 7.50%, Secured Debt (Maturity<br>April 8, 2022)(9)  | 9,938               | 9,782          | 9,883             |
| <b>iPayment, Inc.(11)</b>                          | Provider of Merchant<br>Acquisition                                       | LIBOR Plus 5.25% (Floor 1.50%), Current<br>Coupon 6.75%, Secured Debt (Maturity<br>May 8, 2017)(9)  | 15,026              | 14,986         | 14,446            |
| <b>iQor US Inc.(11)</b>                            | Business Process<br>Outsourcing Services<br>Provider                      | LIBOR Plus 5.00% (Floor 1.00%), Current<br>Coupon 6.00%, Secured Debt (Maturity<br>April 1, 2021)(9)  | 9,887               | 9,718          | 7,942             |
| <b>irth Solutions, LLC</b>                         | Provider of Damage<br>Prevention Information<br>Technology Services       | Member Units (27,893 units)   |                     | 1,441          | 1,441             |
| <b>Jackmont Hospitality, Inc.(10)</b>              | Franchisee of Casual<br>Dining Restaurants                                | LIBOR Plus 4.25% (Floor 1.00%), Current<br>Coupon 5.25% / 2.50% PIK, Current<br>Coupon Plus PIK 7.75%, Secured Debt<br>(Maturity May 26, 2021)(9) | 4,357               | 4,337          | 4,188             |
| <b>Joerns Healthcare, LLC(11)</b>                  | Manufacturer and<br>Distributor of Health<br>Care Equipment &<br>Supplies | LIBOR Plus 5.00% (Floor 1.00%), Current<br>Coupon 6.00%, Secured Debt (Maturity<br>May 9, 2020)(9)  | 14,805              | 14,711         | 14,703            |
| <b>JSS Holdings, Inc.(11)</b>                      | Aircraft Maintenance<br>Program Provider                                  | LIBOR Plus 6.50% (Floor 1.00%), Current<br>Coupon 7.50%, Secured Debt (Maturity<br>August 31, 2021)(9)  | 14,566              | 14,230         | 13,765            |
| <b>Kendra Scott, LLC(11)</b>                       | Jewelry Retail Stores   | LIBOR Plus 6.00% (Floor 1.00%), Current<br>Coupon 7.00%, Secured Debt (Maturity<br>July 17, 2020)(9)  | 5,875               | 5,821          | 5,831             |
| <b>Keypoint Government<br/>Solutions, Inc.(11)</b> | Provider of<br>Pre-Employment<br>Screening Services                       |   |                     |                |                   |

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|  |       |       |       |
|--|-------|-------|-------|
| LIBOR Plus 6.50% (Floor 1.25%), Current<br>Coupon 7.75%, Secured Debt (Maturity<br>November 13, 2017)(9) | 6,303 | 6,268 | 6,271 |
|--|-------|-------|-------|

|                               |                                     |   |       |       |       |
|-------------------------------|-------------------------------------|---|-------|-------|-------|
| <b>LaMi Products, LLC(10)</b> | General Merchandise<br>Distribution | LIBOR Plus 6.50% (Floor 1.00%), Current<br>Coupon 7.50%, Secured Debt (Maturity<br>September 16, 2020)(9) | 4,729 | 4,699 | 4,699 |
|-------------------------------|-------------------------------------|---|-------|-------|-------|



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**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                                  | Business Description   | Type of Investment(2)(3)   | Principal(4) | Cost(4)                  | Fair Value               |
|---|--|--|--------------|--------------------------|--------------------------|
| <b>Lansing Trade Group LLC(11)</b>                    | Commodity<br>Merchandiser  | 9.25% Unsecured Debt (Maturity<br>February 15, 2019)   | 6,000        | 6,000                    | 5,625                    |
| <b>Larchmont Resources, LLC(11)</b>                   | Oil & Gas<br>Exploration &<br>Production   | LIBOR Plus 8.75% (Floor 1.00%),<br>Current Coupon 9.75%, Secured Debt<br>(Maturity August 7, 2019)(9)  | 7,807        | 7,508                    | 5,543                    |
| <b>Leadrock Properties, LLC</b>                       | Real Estate Investment   | 10% Secured Debt (Maturity May 4,<br>2026)   | 1,440        | 1,416                    | 1,416                    |
| <b>Legendary Pictures Funding, LLC(10)</b>            | Producer of TV, Film,<br>and Comic Content   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity April 22, 2020)(9)  | 7,500        | 7,372                    | 7,425                    |
| <b>LKCM Headwater<br/>Investments I, L.P.(12)(13)</b> | Investment Partnership   | LP Interests (Fully diluted 2.3%)  |              | 2,500                    | 4,875                    |
| <b>Looking Glass<br/>Investments, LLC(12)(13)</b>     | Specialty Consumer<br>Finance  | 9% Unsecured Debt (Maturity June 30,<br>2020)<br>Member Units (2.5 units)<br>Member Units (LGI Predictive<br>Analytics LLC) (190,712 units)(8) | 188          | 188<br>125<br>188<br>501 | 188<br>125<br>188<br>501 |
| <b>MediMedia USA, Inc.(11)</b>                        | Provider of Healthcare<br>Media and Marketing  | LIBOR Plus 6.75% (Floor 1.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 20, 2018)(9)                                       | 7,772        | 7,714                    | 7,422                    |
| <b>Messenger, LLC(10)</b>                             | Supplier of Specialty<br>Stationery and Related<br>Products to the Funeral<br>Industry | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity September 9, 2020)(9)                                       | 15,583       | 15,483                   | 15,583                   |
| <b>Milk Specialties Company(11)</b>                   | Processor of Nutrition<br>Products   | LIBOR Plus 7.00% (Floor 1.25%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity November 9, 2018)(9)  | 792          | 789                      | 792                      |

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|                                 |  |                                       |        |        |        |
|---------------------------------|--|---------------------------------------|--------|--------|--------|
| <b>Minute Key, Inc.</b>         | Operator of Automated Key Duplication Kiosks | 10% Current / 2% PIK Secured Debt     |        |        |        |
|                                 |  | (Maturity September 19, 2019)         | 14,186 | 13,817 | 13,817 |
|                                 |  | Warrants (1,437,409 equivalent units) |        | 280    | 280    |
|                                 |  |                                       |        | 14,097 | 14,097 |
| <b>Miramax Film NY, LLC(11)</b> | Motion Picture Producer and Distributor      | Member Units (500,000 units)(8)       |        | 864    | 864    |
| 105                             |  |                                       |        |        |        |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                              | Business Description                                  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|---|--|--------------|---------|------------|
| <b>Mood Media Corporation(11)(13)</b>             | Provider of Electronic Equipment                      | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity May 1, 2019)(9)       | 14,957       | 14,827  | 14,266     |
| <b>New Media Holdings II LLC(11)(13)</b>          | Local Newspaper Operator                              | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 4, 2020)(9)      | 9,788        | 9,635   | 9,703      |
| <b>North American Lifting Holdings, Inc.(11)</b>  | Crane Service Provider                                | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity November 27, 2020)(9) | 997          | 835     | 733        |
| <b>North Atlantic Trading Company, Inc.(11)</b>   | Marketer/Distributor of Tobacco Products              | LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity January 13, 2020)(9)  | 9,676        | 9,607   | 9,603      |
| <b>Novitex Intermediate, LLC(11)</b>              | Provider of Document Management Services              | LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity July 7, 2020)(9)      | 8,692        | 8,532   | 8,192      |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>    | Estrogen-Deficiency Drug Manufacturer and Distributor | 11.5% Secured Debt (Maturity November 15, 2026)  | 5,071        | 5,071   | 3,780      |
| <b>Panolam Industries International, Inc.(11)</b> | Decorative Laminate Manufacturer                      | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity August 23, 2017)(9)   | 9,472        | 9,429   | 9,424      |
| <b>Paris Presents Incorporated(11)</b>            | Branded Cosmetic and Bath Accessories                 | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity December 31, 2021)(9) | 2,000        | 1,965   | 1,960      |
| <b>Parq Holdings Limited Partnership(11)(13)</b>  | Hotel & Casino Operator                               | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 17, 2020)(9) | 7,500        | 7,369   | 7,200      |

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|   |                              |   |       |       |       |
|---|------------------------------|---|-------|-------|-------|
| <b>Permian Holdings, Inc.(11)</b>             | Storage Tank<br>Manufacturer | 10.5% Secured Debt (Maturity<br>January 15, 2018) | 2,755 | 2,738 | 1,047 |
| <b>Pernix Therapeutics Holdings, Inc.(10)</b> | Pharmaceutical<br>Royalty    | 12% Secured Debt (Maturity August 1,<br>2020)     | 3,818 | 3,818 | 3,777 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>          | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>   | <b>Fair Value</b> |
|--------------------------------------|---|--|---------------------|------------------|-------------------|
| <b>Pike Corporation(11)</b>          | Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity June 22, 2022)(9)   | 15,000              | 14,663           | 14,712            |
| <b>Point.360(10)</b>                 | Fully Integrated Provider of Digital Media Services   | Warrants (65,463 equivalent shares)<br>Common Stock (163,658 shares)   |                     | 69<br>273<br>342 | 9<br>144<br>153   |
| <b>Prowler Acquisition Corp.(11)</b> | Specialty Distributor to the Energy Sector  | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity January 28, 2020)(9)  | 4,411               | 3,734            | 3,749             |
| <b>PT Network, LLC(10)</b>           | Provider of Outpatient Physical Therapy and Sports Medicine Services                            | LIBOR Plus 7.75% (Floor 1.50%), Current Coupon 9.25%, Secured Debt (Maturity November 1, 2018)(9)  | 12,047              | 11,954           | 11,771            |
| <b>QBS Parent, Inc.(11)</b>          | Provider of Software and Services to the Oil & Gas Industry                                     | LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2021)(9)  | 11,389              | 11,303           | 11,332            |
| <b>Raley's(11)</b>                   | Family-owned supermarket chain in California  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity May 18, 2022)(9)  | 5,094               | 4,999            | 5,069             |
| <b>RGHP, Inc.(11)</b>                | Regional Non-Urban Hospital Owner/Operator  | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity April 23, 2019)(9)<br>LIBOR Plus 10.25% (Floor 1.00%), Current Coupon 11.25%, Secured Debt (Maturity October 23, 2019)(9) | 5,448<br>4,000      | 5,426<br>3,954   | 5,448<br>3,953    |

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|                                       |  |   |       |       |       |
|---------------------------------------|--|---|-------|-------|-------|
|                                       |  |   | 9,380 | 9,401 |       |
| <b>Renaissance Learning, Inc.(11)</b> | Technology-based<br>K-12 Learning<br>Solutions | LIBOR Plus 7.00% (Floor 1.00%), Current<br>Coupon 8.00%, Secured Debt (Maturity<br>April 11, 2022)(9) | 3,000 | 2,975 | 2,835 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description                              | Type of Investment(2)(3)  | Principal(4) | Cost(4)          | Fair Value       |
|--|---|---|--------------|------------------|------------------|
| <b>RGL Reservoir Operations Inc.(11)(13)</b> | Oil & Gas Equipment and Services                  | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity August 13, 2021)(9)    | 3,950        | 3,851            | 1,534            |
| <b>RLJ Entertainment, Inc.(10)</b>           | Movie and TV Programming Licensee and Distributor | LIBOR Plus 8.75% (Floor 0.25%),<br>Current Coupon 9.16%, Secured Debt<br>(Maturity September 11, 2019)(9) | 9,354        | 9,353            | 9,203            |
| <b>RM Bidder, LLC(10)</b>                    | Acquisition Vehicle                               | Warrants (327,532 equivalent unis)<br>Member Units (2,779 units)  |              | 425<br>46<br>471 | 363<br>45<br>408 |
| <b>SAExploration, Inc.(10)(13)</b>           | Geophysical Services Provider                     | Common Stock (6,472 shares)   |              | 65               | 27               |
| <b>Sage Automotive Interiors, Inc(11)</b>    | Automotive Textiles Manufacturer                  | LIBOR Plus 8.00% (Floor 1.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity October 8, 2021)(9)    | 3,000        | 2,974            | 2,970            |
| <b>Salient Partners L.P.(11)</b>             | Provider of Asset Management Services             | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity June 9, 2021)(9)       | 7,388        | 7,251            | 7,240            |
| <b>Sotera Defense Solutions, Inc.(11)</b>    | Defense Industry Intelligence Services            | LIBOR Plus 7.50% (Floor 1.50%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity April 21, 2017)(9)     | 10,119       | 9,886            | 9,360            |
| <b>Stardust Finance Holdings, Inc.(11)</b>   | Manufacturer of Diversified Building Products     | LIBOR Plus 5.50% (Floor 1.00%),<br>Current Coupon 6.50%, Secured Debt<br>(Maturity March 13, 2022)(9)     | 12,406       | 12,239           | 12,065           |
| <b>Subsea Global Solutions, LLC(10)</b>      | Underwater Maintenance and Repair Services        | LIBOR Plus 6.00% (Floor 1.50%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity March 17, 2020)(9)     | 4,887        | 4,836            | 4,762            |

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|  |                              |  |       |       |       |
|--|------------------------------|--|-------|-------|-------|
| <b>Synagro Infrastructure Company,<br/>Inc(11)</b> | Waste Management<br>Services | LIBOR Plus 5.25% (Floor 1.00%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity August 22, 2020)(9) | 4,714 | 4,647 | 4,124 |
|--|------------------------------|--|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)                  | Business Description  | Type of Investment(2)(3)   | Principal(4)   | Cost(4)        | Fair Value     |
|---------------------------------------|---|--|----------------|----------------|----------------|
| <b>Targus Group International(11)</b> | Distributor of Protective Cases for Mobile Devices            | LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity May 24, 2016)(9)(14)   | 4,258          | 4,263          | 3,119          |
| <b>TeleGuam Holdings, LLC(11)</b>     | Cable and Telecom Services Provider                           | LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9)<br>LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9) | 7,975<br>2,500 | 7,961<br>2,484 | 7,935<br>2,487 |
|                                       |   |  |                | 10,445         | 10,422         |
| <b>Templar Energy LLC(11)</b>         | Oil & Gas Exploration & Production                            | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity November 25, 2020)(9)   | 4,000          | 3,962          | 485            |
| <b>The Tennis Channel, Inc.(10)</b>   | Television-Based Sports Broadcasting                          | Warrants (114,316 equivalent shares)   |                | 235            | 301            |
| <b>The Topps Company, Inc.(11)</b>    | Trading Cards & Confectionary                                 | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2018)(9)   | 1,960          | 1,948          | 1,923          |
| <b>TOMS Shoes, LLC(11)</b>            | Global Designer, Distributor, and Retailer of Casual Footwear | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity October 30, 2020)(9)  | 4,963          | 4,545          | 3,387          |
| <b>Travel Leaders Group, LLC(11)</b>  | Travel Agency Network Provider                                | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 7, 2020)(9)  | 8,700          | 8,638          | 8,613          |
| <b>US Joiner Holding Company(11)</b>  | Marine Interior Design and Installation                       | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity April 16, 2020)(9)  | 7,369          | 7,341          | 7,295          |

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|                                     |   |  |        |        |        |
|-------------------------------------|---|--|--------|--------|--------|
| <b>Valley Healthcare Group, LLC</b> | Provider of Durable Medical Equipment           | LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.00%, Secured Debt (Maturity December 29, 2020)(9) | 10,400 | 10,297 | 10,297 |
| <b>Vantage Oncology, LLC(11)</b>    | Outpatient Radiation Oncology Treatment Centers | 9.5% Secured Debt (Maturity June 15, 2017)   | 12,050 | 11,938 | 10,182 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)           | Fair Value        |
|--|---|---|--------------|-------------------|-------------------|
| <b>Virtex Enterprises, LP(10)</b>  | Specialty, Full-Service Provider of Complex Electronic Manufacturing Services | 12% Secured Debt (Maturity December 27, 2018)   | 1,667        | 1,516             | 1,516             |
|  |   | Preferred Class A Units (14 units; 5% cumulative)(8)  |              | 333               | 512               |
|  |   | Warrants (11 equivalent units)  |              | 186               | 135               |
|  |   |   |              | 2,035             | 2,163             |
| <b>Vision Solutions, Inc.(11)</b>  | Provider of Information Availability Software                                 | LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)    | 5,000        | 4,987             | 4,750             |
| <b>Western Dental Services, Inc.(11)</b>   | Dental Care Services  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity November 1, 2018)(9) | 4,904        | 4,901             | 4,303             |
| <b>Wilton Brands LLC(11)</b>   | Specialty Housewares Retailer   | LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity August 30, 2018)(9)  | 1,540        | 1,524             | 1,475             |
| <b>Worley Claims Services, LLC(10)</b>   | Insurance Adjustment Management and Services Provider                         | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 31, 2020)(9) | 6,435        | 6,381             | 6,210             |
| <b>YP Holdings LLC(11)</b>   | Online and Offline Advertising Operator                                       | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity June 4, 2018)(9)     | 2,455        | 2,435             | 2,382             |
| <b>Zilliant Incorporated</b>   | Price Optimization and Margin Management Solutions                            | Preferred Stock (186,777 shares)  |              | 154               | 260               |
|  |   | Warrants (952,500 equivalent shares)  |              | 1,071             | 1,190             |
|  |   |   |              | 1,225             | 1,450             |
| <b>Subtotal Non-Control/Non-Affiliate Investments (49.6% of total investments at fair value)</b> |   |   |              | <b>\$ 945,187</b> | <b>\$ 894,466</b> |

**Total Portfolio Investments, December 31, 2015**

\$ 1,666,642 \$ 1,799,996

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments (Continued)

December 31, 2015  
(dollars in thousands)

| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)         | Principal(4) | Cost(4)      | Fair Value   |
|---|---|----------------------------------|--------------|--------------|--------------|
| <b>Marketable Securities and Idle Funds Investments</b>   |   |                                  |              |              |              |
| PennantPark Investment Corporation(13)(15)  | Business Development Company  | Common Stock (343,149 shares)(8) |              | \$ 3,629     | \$ 2,121     |
| Other Marketable Securities and Idle Funds Investments(13)(15)                                      | Investments in Marketable Securities and Diversified, Registered Bond Funds |                                  |              | 1,778        | 1,572        |
| Subtotal Marketable Securities and Idle Funds Investments (0.2% of total investments at fair value) |   |                                  |              | \$ 5,407     | \$ 3,693     |
| <b>Total Investments, December 31, 2015</b>   |   |                                  |              | \$ 1,672,049 | \$ 1,803,689 |

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. See Note B for a description of Lower Middle Market portfolio investments. All of the Company's investments, unless otherwise noted, are encumbered either as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C for a summary of geographic location of portfolio companies.
- (4) Principal is net of repayments. Cost is net of repayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9) Index based floating interest rate is subject to contractual minimum interest rate. Variable rate loans bear interest at a rate that may be determined by reference to either LIBOR (which can include one-, two-, three- or six-month LIBOR) or Prime, at the borrower's option,

which rates reset periodically based on the terms of the loan agreement.

- (10) **Private Loan portfolio investment.** See Note B for a description of Private Loan portfolio investments.
- (11) **Middle Market portfolio investment.** See Note B for a description of Middle Market portfolio investments.
- (12) **Other Portfolio investment.** See Note B for a description of Other Portfolio investments.
- (13) **Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.**
- (14) **Non-accrual and non-income producing investment.**
- (15) **Marketable securities and idle fund investments.**
- (16) **External Investment Manager.** Investment is not encumbered as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (17) **Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.**
- (18) **Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investments in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investments in this portfolio company are on non-accrual status.**

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments

December 31, 2014  
(dollars in thousands)

| Portfolio Company(1)                             | Business Description                                | Type of Investment(2)(3)  | Principal(4) | Cost(4)  | Fair Value |
|--|---|---|--------------|----------|------------|
| <b>Control Investments(5)</b>                    |   |   |              |          |            |
| ASC Interests, LLC                               | Recreational and Educational Shooting Facility      | 11% Secured Debt (Maturity July 31, 2018)   | \$ 3,000     | \$ 2,954 | \$ 3,000   |
|  |   | Member Units (1,500 units)(8)   |              | 1,500    | 1,970      |
|  |   |   |              | 4,454    | 4,970      |
| Bond-Coat, Inc.                                  | Casing and Tubing Coating Services                  | 12% Secured Debt (Maturity December 28, 2017)                                       | 13,570       | 13,446   | 13,570     |
|  |   | Common Stock (57,508 shares)  |              | 6,350    | 11,210     |
|  |   |   |              | 19,796   | 24,780     |
| Café Brazil, LLC                                 | Casual Restaurant Group                             | Member Units (1,233 units)(8)   |              | 1,742    | 6,980      |
| California Healthcare Medical Billing, Inc.      | Outsourced Billing and Revenue Cycle Management     | 9% Secured Debt (Maturity October 17, 2016)   | 8,703        | 8,568    | 8,703      |
|  |   | Warrants (466,947 equivalent shares)  |              | 1,193    | 3,480      |
|  |   | Common Stock (207,789 shares)   |              | 1,177    | 1,460      |
|  |   |   |              | 10,938   | 13,643     |
| CBT Nuggets, LLC                                 | Produces and Sells IT Training Certification Videos | Member Units (416 units)(8)   |              | 1,300    | 27,200     |
| Ceres Management, LLC (Lamb's Tire & Automotive) | Aftermarket Automotive Services Chain               | 14% Secured Debt (Maturity May 31, 2018)  | 3,916        | 3,916    | 3,916      |
|  |   | Class B Member Units (12% cumulative)(8)  |              | 4,048    | 4,048      |
|  |   | Member Units (5,460 units)  |              | 5,273    | 2,510      |
|  |   | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity October 1, 2025) | 968          | 968      | 968        |
|  |   | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                |              | 625      | 1,240      |
|  |   |   |              | 14,830   | 12,682     |
| Datacom, LLC                                     | Technology and Telecommunications Provider          | 10.5% Secured Debt (Maturity May 31, 2019)  | 11,205       | 11,103   | 11,103     |

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|                                      |  |        |        |
|--------------------------------------|--|--------|--------|
| Preferred Member Units (6,453 units) |  | 6,030  | 6,030  |
|                                      |  | 17,133 | 17,133 |

|                     |   |   |       |       |       |
|---------------------|---|---|-------|-------|-------|
| <b>Garreco, LLC</b> | Manufacturer and Supplier of<br>Dental Products | 14% Secured Debt (Maturity<br>January 12, 2018) | 5,400 | 5,320 | 5,320 |
|                     |   | Member Units (1,200 units)(8)                   |       | 1,200 | 1,360 |
|                     |   |   |       | 6,520 | 6,680 |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                             | <b>Business Description</b>  | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>         | <b>Fair Value</b>       |
|---|--|--|---------------------|------------------------|-------------------------|
| <b>GRT Rubber Technologies LLC</b>                      | Engineered Rubber Product Manufacturer                                 | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured<br>Debt (Maturity December 19,<br>2019)(9)<br>Member Units (5,879 units)   | 16,750              | 16,585<br>13,065       | 16,585<br>13,065        |
|   |  |  |                     | 29,650                 | 29,650                  |
| <b>Gulf Manufacturing, LLC</b>                          | Manufacturer of Specialty<br>Fabricated Industrial Piping<br>Products  | 9% PIK Secured Debt (Ashland<br>Capital IX, LLC) (Maturity June 30,<br>2017)<br>Member Units (438 units)(8)  | 744                 | 744<br>2,980           | 744<br>16,540           |
|   |  |  |                     | 3,724                  | 17,284                  |
| <b>Harrison Hydra-Gen, Ltd.</b>                         | Manufacturer of Hydraulic<br>Generators                                | 12% Secured Debt (Maturity June 4,<br>2015)<br>Preferred Stock (8% cumulative)(8)<br>Common Stock (105,880 shares)   | 5,487               | 5,409<br>1,260<br>718  | 5,487<br>1,260<br>1,830 |
|   |  |  |                     | 7,387                  | 8,577                   |
| <b>Hawthorne Customs and Dispatch<br/>Services, LLC</b> | Facilitator of Import Logistics,<br>Brokerage, and Warehousing         | Member Units (500 units)(8)<br>Member Units (Wallisville Real<br>Estate, LLC) (588,210 units)(8)   |                     | 589<br>1,215           | 370<br>2,220            |
|   |  |  |                     | 1,804                  | 2,590                   |
| <b>Hydratec, Inc.</b>                                   | Designer and Installer of<br>Micro-Irrigation Systems                  | Common Stock (7,095 shares)(8)   |                     | 7,095                  | 13,720                  |
| <b>IDX Broker, LLC</b>                                  | Provider of Marketing and<br>CRM Tools for the Real Estate<br>Industry | LIBOR Plus 6.50% (Floor 1.50%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 18, 2018)(9)<br>12.5% Secured Debt (Maturity<br>November 18, 2018)<br>Member Units (5,029 units) | 125<br>10,571       | 125<br>10,483<br>5,029 | 125<br>10,571<br>5,450  |
|   |  |  |                     | 15,637                 | 16,146                  |

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Impact Telecom, Inc.

Telecommunications Services  
Provider

|   |        |        |        |
|---|--------|--------|--------|
| LIBOR Plus 6.50% (Floor 2.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity May 31, 2018)(9) | 1,575  | 1,569  | 1,569  |
| 13% Secured Debt (Maturity May 31,<br>2018)   | 22,500 | 15,515 | 15,515 |
| Warrants (5,516,667 equivalent<br>shares)   |        | 8,000  | 4,160  |
|   |        | 25,084 | 21,244 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Indianapolis Aviation Partners, LLC</b>                      | Fixed Base Operator  | 15% Secured Debt (Maturity January 15, 2015)  | 3,100        | 3,100   | 3,100      |
|   |  | Warrants (1,046 equivalent units)   |              | 1,129   | 2,540      |
|   |  |   |              | 4,229   | 5,640      |
| <b>Jensen Jewelers of Idaho, LLC</b>                            | Retail Jewelry Store   | Prime Plus 6.75% (Floor 3.25%), Current Coupon 10.00%, Secured Debt (Maturity November 14, 2016)(9) | 3,655        | 3,618   | 3,655      |
|   |  | Member Units (627 units)(8)   |              | 811     | 3,580      |
|   |  |   |              | 4,429   | 7,235      |
| <b>Lighting Unlimited, LLC</b>                                  | Commercial and Residential Lighting Products and Design Services | 8% Secured Debt (Maturity August 22, 2015)  | 1,550        | 1,550   | 1,550      |
|   |  | Preferred Equity (non-voting)   |              | 439     | 439        |
|   |  | Warrants (71 equivalent units)  |              | 54      | 40         |
|   |  | Member Units (700 units)(8)   |              | 100     | 360        |
|   |  |   |              | 2,143   | 2,389      |
| <b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b> | Fabricator of Marine and Industrial Shelters                     | 12% Secured Debt (Maturity December 28, 2017)   | 10,250       | 10,112  | 10,112     |
|   |  | Preferred Member Units (2,669 units)  |              | 3,750   | 3,750      |
|   |  |   |              | 13,862  | 13,862     |
| <b>Mid-Columbia Lumber Products, LLC</b>                        | Manufacturer of Finger-Jointed Lumber Products                   | 10% Secured Debt (Maturity December 18, 2017)   | 1,750        | 1,750   | 1,750      |
|   |  | 12% Secured Debt (Maturity December 18, 2017)   | 3,900        | 3,900   | 3,900      |
|   |  | Member Units (2,829 units)(8)   |              | 1,244   | 10,180     |
|   |  | 9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)                           | 927          | 927     | 927        |
|   |  | Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)   |              | 250     | 550        |
|   |  |   |              | 8,071   | 17,307     |
| <b>MSC Adviser I, LLC(16)</b>                                   | Third Party Investment Advisory Services                         |   |              |         |            |

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Member Units (Fully diluted  
100.0%)(8) 15,580

|                              |   |  |        |        |        |
|------------------------------|---|--|--------|--------|--------|
| <b>Mystic Logistics, Inc</b> | Logistics and Distribution<br>Services Provider for Large<br>Volume Mailers | 12% Secured Debt (Maturity<br>August 15, 2019) | 10,000 | 9,790  | 9,790  |
|                              |   | Common Stock (5,873 shares)                    |        | 2,720  | 2,720  |
|                              |   |  |        | 12,510 | 12,510 |
|                              |   |  |        |        |        |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                    | <b>Business Description</b>                    | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|--|--|--|---------------------|----------------|-------------------|
| <b>NAPCO Precast, LLC</b>                      | Precast Concrete Manufacturing                 | Prime Plus 2.00% (Floor 7.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity September 1, 2015)(9) | 625                 | 615            | 625               |
|  |  | Prime Plus 2.00% (Floor 7.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity February 1, 2016)(9)  | 2,923               | 2,915          | 2,923             |
|  |  | 18% Secured Debt (Maturity<br>February 1, 2016)  | 4,468               | 4,440          | 4,468             |
|  |  | Member Units (2,955 units)(8)  |                     | 2,975          | 7,560             |
|  |  |  |                     | 10,945         | 15,576            |
| <b>NRI Clinical Research, LLC</b>              | Clinical Research Service Provider             | 14% Secured Debt (Maturity<br>September 8, 2016)   | 4,889               | 4,779          | 4,779             |
|  |  | Warrants (251,723 equivalent units)  |                     | 252            | 160               |
|  |  | Member Units (671,233 units)   |                     | 671            | 722               |
|  |  |  |                     | 5,702          | 5,661             |
| <b>NRP Jones, LLC</b>                          | Manufacturer of Hoses, Fittings and Assemblies | 12% Secured Debt (Maturity<br>December 22, 2016)   | 12,100              | 11,590         | 11,590            |
|  |  | Warrants (14,331 equivalent units)   |                     | 817            | 970               |
|  |  | Member Units (50,877 units)(8)   |                     | 2,900          | 3,190             |
|  |  |  |                     | 15,307         | 15,750            |
| <b>OMi Holdings, Inc.</b>                      | Manufacturer of Overhead Cranes                | Common Stock (1,500 shares)(8)   |                     | 1,080          | 13,420            |
| <b>Pegasus Research Group, LLC (Televerde)</b> | Provider of Telemarketing and Data Services    | Member Units (460 units)(8)  |                     | 1,290          | 5,860             |
| <b>PPL RVs, Inc.</b>                           | Recreational Vehicle Dealer                    | 11.1% Secured Debt (Maturity<br>June 10, 2015)   | 7,860               | 7,848          | 7,860             |
|  |  | Common Stock (1,961 shares)  |                     | 2,150          | 8,160             |
|  |  |  |                     | 9,998          | 16,020            |
| <b>Principle Environmental, LLC</b>            | Noise Abatement Service Provider               | 12% Secured Debt (Maturity<br>April 30, 2017)  | 4,060               | 3,813          | 4,060             |
|  |  | 12% Current / 2% PIK Secured Debt<br>(Maturity April 30, 2017)   | 3,244               | 3,227          | 3,244             |
|  |  |  |                     |                |                   |

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|  |  |        |        |
|--|--|--------|--------|
| Preferred Member Units<br>(19,631 units) |  | 4,663  | 11,830 |
| Warrants (1,036 equivalent units)        |  | 1,200  | 720    |
|  |  | 12,903 | 19,854 |

|                              |   |  |     |       |       |
|------------------------------|---|--|-----|-------|-------|
| <b>River Aggregates, LLC</b> | Processor of Construction<br>Aggregates | Zero Coupon Secured Debt (Maturity<br>June 30, 2018) | 750 | 468   | 468   |
|                              |   | 12% Secured Debt (Maturity June 30,<br>2018)         | 500 | 500   | 500   |
|                              |   | Member Units (1,150 units)(8)                        |     | 1,150 | 2,570 |
|                              |   | Member Units (RA Properties, LLC)<br>(1,500 units)   |     | 369   | 369   |
|                              |   |  |     | 2,487 | 3,907 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>            | <b>Business Description</b>                                       | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>          | <b>Fair Value</b>     |
|--|---|--|---------------------|-------------------------|-----------------------|
| <b>SoftTouch Medical Holdings, LLC</b> | Home Provider of Pediatric Durable Medical Equipment              | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity October 31, 2019)(9) Member Units (4,526 units)  | 8,500               | 8,417<br>5,015          | 8,417<br>5,015        |
|  |   |  |                     | 13,432                  | 13,432                |
| <b>Southern RV, LLC</b>                | Recreational Vehicle Dealer                                       | 13% Secured Debt (Maturity August 8, 2018) Member Units (1,680 units)(8)   | 11,400              | 11,266<br>1,680         | 11,400<br>4,920       |
|  |   | 13% Secured Debt (Southern RV Real Estate, LLC) (Maturity August 8, 2018) Member Units (Southern RV Real Estate, LLC) (480 units)  | 3,250               | 3,212<br>480            | 3,250<br>470          |
|  |   |  |                     | 16,638                  | 20,040                |
| <b>The MPI Group, LLC</b>              | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 8, 2018) Series A Preferred Units (2,500 units; 10% Cumulative) Warrants (1,424 equivalent units) Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted)(8) | 2,724               | 2,724<br>2,500<br>1,096 | 2,724<br>980<br>1,096 |
|  |   |  |                     | 2,300                   | 2,300                 |
|  |   |  |                     | 8,620                   | 6,004                 |
| <b>Travis Acquisition LLC</b>          | Manufacturer of Aluminum Trailers                                 | 12% Secured Debt (Maturity August 30, 2018) Member Units (7,282 units)   | 4,693               | 4,617<br>7,100          | 4,693<br>13,650       |
|  |   |  |                     | 11,717                  | 18,343                |
| <b>Uvalco Supply, LLC</b>              | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019) Member Units (1,006 units)(8)   | 1,802               | 1,802<br>1,113          | 1,802<br>3,500        |
|  |   |  |                     | 2,915                   | 5,302                 |
| <b>Vision Interests, Inc.</b>          | Manufacturer / Installer of Commercial Signage                    |  | 3,204               | 3,169                   | 3,154                 |

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|  |                                |  |                   |           |                |
|--|--------------------------------|--|-------------------|-----------|----------------|
|  |                                | 13% Secured Debt (Maturity December 23, 2016)  |                   |           |                |
|  |                                | Series A Preferred Stock (3,000,000 shares)  | 3,000             |           | 3,250          |
|  |                                | Common Stock (1,126,242 shares)  | 3,706             |           | 100            |
|  |                                |  | 9,875             |           | 6,504          |
| <b>Ziegler's NYPD, LLC</b>   | <b>Casual Restaurant Group</b> |  |                   |           |                |
|  |                                | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity October 1, 2018)(9) | 1,500             | 1,491     | 1,491          |
|  |                                | 9% Current / 9% PIK Secured Debt (Maturity October 1, 2018)                                      | 5,509             | 5,509     | 4,880          |
|  |                                | Warrants (587 equivalent units)  |                   | 600       |                |
|  |                                |  | 7,600             |           | 6,371          |
| <b>Subtotal Control Investments (29.9% of total investments at fair value)</b> |                                |  | <b>\$ 342,847</b> | <b>\$</b> | <b>469,846</b> |



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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments (Continued)

December 31, 2014  
(dollars in thousands)

| Portfolio Company(1)                         | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)  | Fair Value |
|--|---|---|--------------|----------|------------|
| <b>Affiliate Investments(6)</b>              |   |   |              |          |            |
| AFG Capital Group, LLC                       | Provider of Rent-to-Own Financing Solutions and Services                  | 11% Secured Debt (Maturity November 7, 2019)  | \$ 6,800     | \$ 6,465 | \$ 6,465   |
|  |   | Warrants (42 equivalent units)  |              | 259      | 259        |
|  |   | Member Units (186 units)  |              | 1,200    | 1,200      |
|  |   |   |              | 7,924    | 7,924      |
| Boss Industries, LLC                         | Manufacturer and Distributor of Air, Power and Other Industrial Equipment | Preferred Member Units (2,242 units)  |              | 2,000    | 2,000      |
| Bridge Capital Solutions Corporation         | Financial Services and Cash Flow Solutions Provider                       | 13% Secured Debt (Maturity April 18, 2017)  | 6,000        | 5,837    | 5,837      |
|  |   | Warrants (19 equivalent shares)   |              | 200      | 710        |
|  |   |   |              | 6,037    | 6,547      |
| Brightwood Capital Fund III, LP(12)(13)      | Investment Partnership  | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 9.1%)(8)              |              | 8,448    | 8,448      |
| CAI Software LLC                             | Provider of Specialized Enterprise Resource Planning Software             | 12% Secured Debt (Maturity October 10, 2019)  | 5,400        | 5,348    | 5,348      |
|  |   | Member Units (65,356 units)   |              | 654      | 654        |
|  |   |   |              | 6,002    | 6,002      |
| Condit Exhibits, LLC                         | Tradeshaw Exhibits / Custom Displays Provider                             | Member Units (3,936 units)(8)   |              | 100      | 610        |
| Congruent Credit Opportunities Funds(12)(13) | Investment Partnership  | LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  |              | 18,575   | 18,378     |
|  |   | LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) |              | 7,734    | 7,734      |

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|                     |                                   |  |        |        |
|---------------------|-----------------------------------|--|--------|--------|
|                     |                                   |  | 26,309 | 26,112 |
| <b>Daseke, Inc.</b> | Specialty Transportation Provider |  |        |        |
|                     |                                   | 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018) | 20,723 | 20,403 |
|                     |                                   | Common Stock (19,467 shares)                                 |        | 5,213  |
|                     |                                   |  | 25,616 | 34,503 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                    | <b>Business Description</b>                              | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>        | <b>Fair Value</b>     |
|--|--|--|---------------------|-----------------------|-----------------------|
| <b>Dos Rios Partners(12)(13)</b>               | Investment Partnership                                   | LP Interests (Dos Rios Partners, LP)<br>(Fully diluted 20.2%)(8)   |                     | 2,325                 | 2,325                 |
|  |  | LP Interests (Dos Rios Partners A, LP)<br>(Fully diluted 6.4%)(8)  |                     | 738                   | 738                   |
|  |  |  |                     | 3,063                 | 3,063                 |
| <b>East Teak Fine Hardwoods, Inc.</b>          | Distributor of Hardwood Products                         | Common Stock (5,000 shares)(8)   |                     | 480                   | 860                   |
| <b>East West Copolymer &amp; Rubber, LLC</b>   | Manufacturer of Synthetic Rubbers                        | 12% Secured Debt (Maturity October 17, 2019)<br>Warrants (1,823,278 equivalent units)  | 9,600               | 9,436<br>50           | 9,436<br>50           |
|  |  |  |                     | 9,486                 | 9,486                 |
| <b>Freeport Financial SBIC Fund LP(12)(13)</b> | Investment Partnership                                   | LP Interests (Fully diluted 9.9%)(8)   |                     | 4,677                 | 4,677                 |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b> | Purchases and Manages Liquidation of Distressed Assets   | 10% Secured Debt (Maturity November 21, 2016)<br>Warrants (29,025 equivalent units)  | 13,046              | 12,749<br>400         | 10,782                |
|  |  |  |                     | 13,149                | 10,782                |
| <b>Glowpoint, Inc.</b>                         | Provider of Cloud Managed Video Collaboration Services   | 8% Secured Debt (Maturity October 18, 2018)<br>12% Secured Debt (Maturity October 18, 2018)<br>Common Stock (7,711,517 shares) | 400<br>9,000        | 396<br>8,909<br>3,958 | 396<br>8,909<br>8,480 |
|  |  |  |                     | 13,263                | 17,785                |
| <b>Guerdon Modular Holdings, Inc.</b>          | Multi-Family and Commercial Modular Construction Company | 11% Secured Debt (Maturity August 13, 2019)<br>Common Stock (213,221 shares)   | 11,200              | 11,044<br>2,400       | 11,044<br>2,400       |
|  |  |  |                     | 13,444                | 13,444                |

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|  |   |   |       |       |        |
|--|---|---|-------|-------|--------|
| <b>Houston Plating and Coatings, LLC</b> | Provider of Plating and Industrial Coating Services | Member Units (248,082 units)(8)                         |       | 996   | 11,470 |
| <b>Indianhead Pipeline Services, LLC</b> | Provider of Pipeline Support Services               | 12% Secured Debt (Maturity February 6, 2017)            | 6,900 | 6,625 | 6,625  |
|  |   | Preferred Member Units (28,905 units; 8% cumulative)(8) |       | 1,960 | 1,960  |
|  |   | Warrants (38,193 equivalent units)                      |       | 459   |        |
|  |   | Member Units (14,732 units)                             |       | 1     |        |
|  |   |   |       | 9,045 | 8,585  |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                          | Business Description   | Type of Investment(2)(3)   | Principal(4)  | Cost(4)                 | Fair Value              |
|---|--|--|---------------|-------------------------|-------------------------|
| <b>irth Solutions, LLC</b>                    | Provider of Damage Prevention Information Technology Services          | Member Units (128 units)(8)  |               | 624                     | 3,960                   |
| <b>KBK Industries, LLC</b>                    | Specialty Manufacturer of Oilfield and Industrial Products             | 12.5% Secured Debt (Maturity September 28, 2017)<br>Member Units (250 units)(8)  | 8,250         | 8,198<br>341            | 8,250<br>6,120          |
|   |  |  |               | 8,539                   | 14,370                  |
| <b>L.F. Manufacturing Holdings, LLC(10)</b>   | Manufacturer of Fiberglass Products                                    | Member Units (2,000,000 units)(8)  |               | 2,019                   | 2,374                   |
| <b>MPS Denver, LLC</b>                        | Specialty Card Printing  | Member Units (13,800 units)  |               | 1,130                   | 1,130                   |
| <b>OnAsset Intelligence, Inc.</b>             | Provider of Transportation Monitoring / Tracking Products and Services | 12% PIK Secured Debt (Maturity March 31, 2015)<br>Preferred Stock (912 shares; 7% cumulative)(8)<br>Warrants (5,333 equivalent shares)                         | 3,553         | 3,553<br>1,947<br>1,919 | 3,553<br>2,700<br>6,253 |
| <b>OPI International Ltd.(13)</b>             | Provider of Man Camp and Industrial Storage Services                   | Common Stock (20,766,317 shares)   |               | 1,371                   | 4,971                   |
| <b>PCI Holding Company, Inc.</b>              | Manufacturer of Industrial Gas Generating Systems                      | Preferred Stock (1,500,000 shares; 20% cumulative)(8)  |               | 2,259                   | 4,430                   |
| <b>Quality Lease and Rental Holdings, LLC</b> | Provider of Rigsite Accommodation Unit Rentals and Related Services    | 8% Secured Debt (Maturity October 1, 2014)(14)(18)<br>12% Secured Debt (Maturity January 8, 2018)(14)(18)<br>Preferred Member Units (Rocacia, LLC) (250 units) | 157<br>36,577 | 157<br>36,073<br>2,500  | 157<br>11,500           |

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|                                      |                                 |   |        |              |
|--------------------------------------|---------------------------------|---|--------|--------------|
|                                      |                                 |   | 38,730 | 11,657       |
| <b>Radial Drilling Services Inc.</b> | Oil and Gas Technology Provider | 12% Secured Debt (Maturity November 22, 2016)<br>Warrants (316 equivalent shares) | 4,200  | 3,792<br>758 |
|                                      |                                 |   | 4,550  | 3,792        |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>  | <b>Business Description</b>  | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>          | <b>Fair Value</b>     |
|--|--|--|---------------------|-------------------------|-----------------------|
| <b>Samba Holdings, Inc.</b>  | Provider of Intelligent Driver Record Monitoring Software and Services   | 12.5% Secured Debt (Maturity November 17, 2016)<br>Common Stock (170,963 shares)   | 26,418              | 26,188<br>2,087         | 26,418<br>6,030       |
|  |  |  |                     | 28,275                  | 32,448                |
| <b>SYNEO, LLC</b>  | Manufacturer of Automation Machines, Specialty Cutting Tools and Punches | 12% Secured Debt (Maturity July 13, 2016)<br>Member Units (1,177 units)(8)<br>10% Secured Debt (Leadrock Properties, LLC) (Maturity May 4, 2026) | 2,700<br><br>1,440  | 2,674<br>1,097<br>1,415 | 2,674<br>801<br>1,415 |
|  |  |  |                     | 5,186                   | 4,890                 |
| <b>Tin Roof Acquisition Company</b>  | Casual Restaurant Group  | 12% Secured Debt (Maturity November 30, 2018)<br>Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)                                | 14,100              | 13,861<br>2,241         | 13,861<br>2,241       |
|  |  |  |                     | 16,102                  | 16,102                |
| <b>Subtotal Affiliate Investments (17.7% of total investments at fair value)</b> |  |  |                     | <b>\$ 266,243</b>       | <b>\$ 278,675</b>     |

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments (Continued)

December 31, 2014  
(dollars in thousands)

| Portfolio Company(1)                                   | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)         | Fair Value      |
|--|---|--|--------------|-----------------|-----------------|
| <b><u>Non-Control/Non-Affiliate Investments(7)</u></b> |   |  |              |                 |                 |
| Accuvant Finance, LLC(11)                              | Cyber Security Value Added Reseller   | LIBOR Plus 4.75% (Floor 1.00%),<br>Current Coupon 5.75%, Secured Debt<br>(Maturity October 22, 2020)(9)  | \$ 5,597     | \$ 5,546        | \$ 5,583        |
| Allflex Holdings III Inc.(11)                          | Manufacturer of Livestock Identification Products   | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity July 19, 2021)(9)   | 6,000        | 5,937           | 5,888           |
| AM General LLC(11)                                     | Specialty Vehicle Manufacturer  | LIBOR Plus 9.00% (Floor 1.25%),<br>Current Coupon 10.25%, Secured Debt<br>(Maturity March 22, 2018)(9)   | 2,550        | 2,496           | 2,282           |
| AM3 Pinnacle Corporation(10)                           | Provider of Comprehensive Internet, TV and Voice Services for Multi- Dwelling Unit Properties | 10% Secured Debt (Maturity<br>October 22, 2018)<br>Common Stock (60,240 shares)  | 21,002       | 20,863<br>2,000 | 20,863<br>1,840 |
|  |   |  |              | 22,863          | 22,703          |
| AmeriTech College, LLC                                 | For-Profit Nursing and Healthcare College   | 10% Secured Debt (Maturity<br>November 30, 2019)<br>10% Secured Debt (Maturity<br>January 31, 2020)  | 979<br>6,050 | 979<br>6,050    | 979<br>6,050    |
|  |   |  |              | 7,029           | 7,029           |
| AMF Bowling Centers, Inc.(11)                          | Bowling Alley Operator  | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity September 18, 2021)(9)  | 4,988        | 4,915           | 4,913           |
| Anchor Hocking, LLC(11)                                | Household Products Manufacturer   | LIBOR Plus 6.50% (Floor 1.25%),<br>Current Coupon 7.75% / 1.75% PIK,<br>Current Coupon Plus PIK 9.50%,<br>Secured Debt (Maturity May 21,<br>2020)(9) | 10,916       | 10,842          | 6,559           |



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|                             |   |  |       |       |       |
|-----------------------------|---|--|-------|-------|-------|
| <b>AP Gaming I, LLC(10)</b> | Developer,<br>Manufacturer, and<br>Operator of Gaming<br>Machines | LIBOR Plus 8.25% (Floor 1.00%),<br>Current Coupon 9.25%, Secured Debt<br>(Maturity December 20, 2020)(9) | 6,930 | 6,744 | 6,930 |
|-----------------------------|---|--|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                     | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|---|---|--------------|---------|------------|
| <b>Applied Products, Inc.(10)</b>        | Adhesives Distributor                                       | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity September 30, 2019)(9) | 6,236        | 6,170   | 6,170      |
| <b>Aptean, Inc.(11)</b>                  | Enterprise Application<br>Software Provider                 | LIBOR Plus 4.25% (Floor 1.00%),<br>Current Coupon 5.25%, Secured Debt<br>(Maturity February 26, 2020)(9)  | 7,667        | 7,642   | 7,450      |
| <b>Artel, LLC(11)</b>                    | Land-Based and<br>Commercial Satellite<br>Provider          | LIBOR Plus 6.00% (Floor 1.25%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity November 27, 2017)(9)  | 4,594        | 4,549   | 4,548      |
| <b>ATS Workholding, Inc.(10)</b>         | Manufacturer of Machine<br>Cutting Tools and<br>Accessories | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity March 10, 2019)(9)     | 6,558        | 6,506   | 6,506      |
| <b>Beers Enterprises, Inc.(10)</b>       | Provider of Broadcast<br>Video Transport Services           | Prime Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity March 19, 2019)(9)     | 6,263        | 6,210   | 6,210      |
| <b>Bioventus LLC(10)</b>                 | Production of Orthopedic<br>Healing Products                | LIBOR Plus 10.00% (Floor 1.00%),<br>Current Coupon 11.00%, Secured Debt<br>(Maturity April 10, 2020)(9)   | 5,000        | 4,903   | 4,987      |
| <b>Blackbrush Oil and Gas LP(11)</b>     | Oil & Gas Exploration                                       | LIBOR Plus 6.50%, (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity July 30, 2021)(9)     | 4,000        | 3,971   | 3,320      |
| <b>Blackhawk Specialty Tools LLC(11)</b> | Oilfield Equipment &<br>Services                            | LIBOR Plus 5.25% (Floor 1.25%),<br>Current Coupon 6.50%, Secured Debt<br>(Maturity August 1, 2019)(9)     | 6,224        | 6,189   | 6,131      |
| <b>Blue Bird Body Company(11)</b>        | School Bus Manufacturer                                     | LIBOR Plus 5.50% (Floor 1.00%),<br>Current Coupon 6.50%, Secured Debt<br>(Maturity June 26, 2020)(9)      | 11,500       | 11,339  | 11,443     |
| <b>Bluestem Brands, Inc.(11)</b>         | Multi-Channel Retailer<br>of General Merchandise            |   |              |         |            |

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|   |       |       |       |
|---|-------|-------|-------|
| LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity November 6, 2020)(9) | 7,500 | 7,213 | 7,237 |
|---|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
(dollars in thousands)

| Portfolio Company(1)                            | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)     | Fair Value |
|---|---|--|--------------|-------------|------------|
| <b>Brainworks Software, LLC(10)</b>             | Advertising Sales and Production and Newspaper Circulation Software | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity July 22, 2019)(9)     | 6,263        | 6,182       | 6,182      |
| <b>Brasa Holdings Inc.(11)</b>                  | Upscale Full Service Restaurants                                    | LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity January 20, 2020)(9) | 2,143        | 2,128       | 2,121      |
| <b>Brundage-Bone Concrete Pumping, Inc.(11)</b> | Construction Services Provider                                      | 10.375% Secured Debt (Maturity September 1, 2021)  | 2,500        | 2,500       | 2,556      |
| <b>Calloway Laboratories, Inc.(10)</b>          | Health Care Testing Facilities                                      | 12% PIK Secured Debt (Maturity September 30, 2015)(14)<br>Warrants (125,000 equivalent shares)     | 7,225        | 7,176<br>17 | 2,878      |
|   |   |  |              | 7,193       | 2,878      |
| <b>Cedar Bay Generation Company LP(11)</b>      | Coal-Fired Cogeneration Plant                                       | LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity April 23, 2020)(9)    | 2,476        | 2,457       | 2,458      |
| <b>Cengage Learning Acquisitions, Inc.(11)</b>  | Provider of Educational Print and Digital Services                  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity March 31, 2020)(9)    | 4,000        | 3,990       | 3,975      |
| <b>CGSC of Delaware Holdings Corp.(11)(13)</b>  | Insurance Brokerage Firm  | LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity October 16, 2020)(9)  | 2,000        | 1,975       | 1,780      |
| <b>Charlotte Russe, Inc(11)</b>                 | Fast-Fashion Retailer to Young Women                                | LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity May 22, 2019)(9)      | 4,938        | 4,900       | 4,822      |
| <b>CHI Overhead Doors, Inc.(11)</b>             | Manufacturer of Overhead Garage Doors                               |  |              |             |            |

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|   |       |       |       |
|---|-------|-------|-------|
| LIBOR Plus 9.50%, (Floor 1.50%),<br>Current Coupon 11.00%, Secured Debt<br>(Maturity September 18, 2019)(9) | 2,500 | 2,467 | 2,475 |
|---|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                 | <b>Business Description</b>                          | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b>          | <b>Fair Value</b>       |
|---|--|--|---------------------|-------------------------|-------------------------|
| <b>Clarius ASIG, LLC(10)</b>                | Prints & Advertising<br>Film Financing               | 12% PIK Secured Debt (Maturity<br>September 14, 2014)(17)  | 2,723               | 2,663                   | 2,723                   |
| <b>Clarius BIGS, LLC(10)</b>                | Prints & Advertising<br>Film Financing               | 12% PIK Secured Debt (Maturity<br>January 5, 2015)(14)   | 4,400               | 4,285                   | 1,848                   |
| <b>Compact Power Equipment, Inc.</b>        | Equipment / Tool Rental                              | 12% Secured Debt (Maturity October 1,<br>2017)<br>Series A Preferred Stock (4,298,435<br>shares; 8% cumulative)(8) | 4,100               | 4,085<br>1,079<br>5,164 | 4,100<br>2,401<br>6,501 |
| <b>Covenant Surgical Partners, Inc.(11)</b> | Ambulatory Surgical<br>Centers                       | 8.75% Secured Debt (Maturity<br>August 1, 2019)  | 2,000               | 2,000                   | 2,020                   |
| <b>CRGT Inc.(11)</b>                        | Provider of Custom<br>Software Development           | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 19, 2020)(9)           | 10,000              | 9,800                   | 9,850                   |
| <b>CST Industries Inc.(11)</b>              | Storage Tank<br>Manufacturer                         | LIBOR Plus 6.25% (Floor 1.50%),<br>Current Coupon 7.75%, Secured Debt<br>(Maturity May 22, 2017)(9)                | 7,109               | 7,050                   | 7,037                   |
| <b>Darr Equipment LP(10)</b>                | Heavy Equipment Dealer                               | 11.75% Current / 2% PIK Secured Debt<br>(Maturity April 15, 2020)<br>Warrants (915,734 equivalent units)           | 20,291              | 19,676<br>474<br>20,150 | 19,676<br>474<br>20,150 |
| <b>Digitry Media LLC(11)</b>                | Radio Station Operator                               | LIBOR Plus 5.00% (Floor 1.25%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity February 10, 2019)(9)           | 7,406               | 7,335                   | 7,387                   |
| <b>Drilling Info, Inc.</b>                  | Information Services for<br>the Oil and Gas Industry | Common Stock (3,788,865 shares)  |                     | 1,335                   | 9,920                   |
| <b>ECP-PF Holdings Group, Inc.(10)</b>      | Fitness Club Operator                                | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt   | 5,625               | 5,570                   | 5,570                   |

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(Maturity November 26, 2019)(9)

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                                       | Business Description   | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|--|--|--|--------------|---------|------------|
| <b>EnCap Energy Fund Investments(12)(13)</b>               | Investment Partnership   | LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)                          |              | 3,430   | 3,240      |
|  |  | LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)(8)            |              | 1,561   | 1,325      |
|  |  | LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)                            |              | 1,654   | 1,477      |
|  |  | LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 1.0%)(8)                        |              | 4,586   | 4,567      |
|  |  | LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.8%)                          |              | 184     | 184        |
|  |  |  |              |         | 11,415     |
| <b>Energy and Exploration Partners, LLC(11)</b>            | Oil & Gas Exploration & Production                                 | LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity January 22, 2019)(9)    | 9,461        | 9,054   | 6,788      |
| <b>e-Rewards, Inc.(11)</b>                                 | Provider of Digital Data Collection                                | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity October 29, 2018)(9)    | 12,687       | 12,518  | 12,560     |
| <b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)</b> | Technology-based Performance Support Solutions                     | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity April 28, 2022)(9)      | 3,000        | 2,979   | 2,845      |
| <b>FC Operating, LLC(10)</b>                               | Christian Specialty Retail Stores                                  | LIBOR Plus 10.75% (Floor 1.25%), Current Coupon 12.00%, Secured Debt (Maturity November 14, 2017)(9) | 5,400        | 5,330   | 4,132      |
| <b>FishNet Security, Inc.(11)</b>                          | Information Technology Value-Added Reseller                        | LIBOR Plus 5.00% (Floor 1.25%), Current Coupon 6.25%, Secured Debt (Maturity November 30, 2017)(9)   | 7,840        | 7,791   | 7,840      |
| <b>Flavors Holdings Inc.(11)</b>                           | Global Provider of Flavoring and Sweetening Products and Solutions | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity April 30, 2020)(9)      | 4,938        | 4,746   | 4,728      |





Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                        | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|---|--|--------------|---------|------------|
| <b>Fram Group Holdings, Inc.(11)</b>        | Manufacturer of Automotive Maintenance Products             | LIBOR Plus 5.00% (Floor 1.50%), Current Coupon 6.50%, Secured Debt (Maturity July 29, 2017)(9)     | 5,935        | 5,928   | 5,907      |
|   |   | LIBOR Plus 9.00% (Floor 1.50%), Current Coupon 10.50%, Secured Debt (Maturity January 29, 2018)(9) | 700          | 698     | 684        |
|   |   |  |              | 6,626   | 6,591      |
| <b>GI KBS Merger Sub LLC(11)</b>            | Outsourced Janitorial Services to Retail/Grocery Customers  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity April 29, 2022)(9)    | 800          | 784     | 796        |
| <b>Grace Hill, LLC(10)</b>                  | Online Training Tools for the Multi-Family Housing Industry | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)   | 9,546        | 9,436   | 9,436      |
| <b>Grupo Hima San Pablo, Inc.(11)</b>       | Tertiary Care Hospitals                                     | LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9)  | 4,913        | 4,846   | 4,775      |
|   |   | 13.75% Secured Debt (Maturity July 31, 2018)   | 2,000        | 1,925   | 1,920      |
|   |   |  |              | 6,771   | 6,695      |
| <b>GST Autoleather, Inc.(11)</b>            | Automotive Leather Manufacturer                             | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity July 10, 2020)(9)     | 9,975        | 9,882   | 9,825      |
| <b>Guitar Center, Inc.(11)</b>              | Musical Instruments Retailer                                | 6.5% Secured Debt (Maturity April 15, 2019)  | 7,000        | 6,817   | 6,020      |
| <b>Halcon Resources Corporation(11)(13)</b> | Oil & Gas Exploration & Production                          | 9.75% Unsecured Debt (Maturity July 15, 2020)  | 6,925        | 6,335   | 5,194      |
| <b>Hostway Corporation(11)</b>              | Managed Services and Hosting Provider                       |  |              |         |            |

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|   |       |        |        |
|---|-------|--------|--------|
| LIBOR Plus 4.75% (Floor 1.25%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity December 13, 2019)(9)  | 9,750 | 9,671  | 9,652  |
| LIBOR Plus 8.75% (Floor 1.25%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity December 11, 2020)(9) | 5,000 | 4,917  | 4,950  |
|   |       | 14,588 | 14,602 |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
(dollars in thousands)

| Portfolio Company(1)                                  | Business Description   | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|--|--|--------------|---------|------------|
| <b>Hunter Defense Technologies, Inc.(11)</b>          | Provider of Military and Commercial Shelters and Systems         | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity August 5, 2019)(9)    | 9,875        | 9,783   | 9,752      |
| <b>ICON Health &amp; Fitness, Inc.(11)</b>            | Producer of Fitness Products                                     | 11.875% Secured Debt (Maturity October 15, 2016)   | 4,385        | 4,323   | 4,122      |
| <b>iEnergizer Limited(11)(13)</b>                     | Provider of Business Outsourcing Solutions                       | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity May 1, 2019)(9)       | 10,029       | 9,905   | 9,277      |
| <b>Infinity Acquisition Finance Corp.(11)</b>         | Application Software for Capital Markets                         | 7.25% Unsecured Debt (Maturity August 1, 2022)   | 4,000        | 4,000   | 3,620      |
| <b>Inn of the Mountain Gods Resort and Casino(11)</b> | Hotel & Casino Owner & Operator                                  | 9.25% Secured Debt (Maturity November 30, 2020)  | 3,851        | 3,687   | 3,697      |
| <b>iQor US Inc.(11)</b>                               | Business Process Outsourcing Services Provider                   | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity April 1, 2021)(9)     | 9,987        | 9,789   | 9,288      |
| <b>Jackson Hewitt Tax Service Inc.(11)</b>            | Tax Preparation Service Provider                                 | LIBOR Plus 8.50% (Floor 1.50%), Current Coupon 10.00%, Secured Debt (Maturity October 16, 2017)(9) | 4,509        | 4,396   | 4,509      |
| <b>Joerns Healthcare, LLC(11)</b>                     | Manufacturer and Distributor of Health Care Equipment & Supplies | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity May 9, 2020)(9)       | 9,950        | 9,853   | 9,838      |
| <b>John Deere Landscapes LLC(10)</b>                  | Distributor of Landscaping Supplies                              | LIBOR Plus 4.00% (Floor 1.00%), Current Coupon 5.00%, Secured Debt (Maturity December 23, 2019)(9) | 8,573        | 8,193   | 8,193      |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                       | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|---|--|---------------------|----------------|-------------------|
| <b>Keypoint Government Solutions, Inc.(11)</b>    | Provider of Pre-Employment Screening Services                                 | LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity November 13, 2017)(9) | 4,726               | 4,668          | 4,702             |
| <b>Lansing Trade Group LLC(11)</b>                | Commodity Merchandiser  | 9.25% Unsecured Debt (Maturity February 15, 2019)  | 6,000               | 6,000          | 5,610             |
| <b>Larchmont Resources, LLC(11)</b>               | Oil & Gas Exploration & Production  | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity August 7, 2019)(9)    | 6,895               | 6,842          | 6,636             |
| <b>LKCM Distribution Holdings, L.P.</b>           | Distributor of Industrial Process Equipment                                   | 12% Current / 2.5% PIK Secured Debt (Maturity December 23, 2018)                                   | 16,417              | 16,278         | 16,417            |
| <b>LKCM Headwater Investments I, L.P.(12)(13)</b> | Investment Partnership  | LP Interests (Fully diluted 2.3%)(8)   |                     | 2,250          | 5,764             |
| <b>MAH Merger Corporation(11)</b>                 | Sports-Themed Casual Dining Chain   | LIBOR Plus 4.50% (Floor 1.25%), Current Coupon 5.75%, Secured Debt (Maturity July 19, 2019)(9)     | 7,258               | 7,198          | 7,276             |
| <b>MediMedia USA, Inc.(11)</b>                    | Provider of Healthcare Media and Marketing                                    | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity November 20, 2018)(9) | 5,411               | 5,292          | 5,289             |
| <b>Messenger, LLC(10)</b>                         | Supplier of Specialty Stationary and Related Products to the Funeral Industry | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 5, 2019)(9)  | 13,639              | 13,518         | 13,518            |
| <b>Milk Specialties Company(11)</b>               | Processor of Nutrition Products   | LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity November 9, 2018)(9)  | 7,847               | 7,806          | 7,670             |
| <b>Minute Key, Inc.</b>                           | Operator of Automated Key Duplication Kiosks                                  |  |                     |                |                   |

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|  |       |       |       |
|--|-------|-------|-------|
| 10% Current / 2% PIK Secured Debt<br>(Maturity September 19, 2019) | 4,023 | 3,985 | 3,985 |
|--|-------|-------|-------|

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**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                     | <b>Business Description</b>                           | <b>Type of Investment(2)(3)</b>   | <b>Principal(4)</b> | <b>Cost(4)</b>        | <b>Fair Value</b>   |
|---|---|---|---------------------|-----------------------|---------------------|
| <b>Miramax Film NY, LLC(11)</b>                 | Motion Picture Producer and Distributor               | Class B Units (12% cumulative)(8)   |                     | 792                   | 792                 |
| <b>Modern VideoFilm, Inc.(10)</b>               | Post-Production Film Studio                           | LIBOR Plus 3.50% (Floor 1.50%),<br>Current Coupon 5.00% / 8.50% PIK,<br>Current Coupon Plus PIK 13.50%,<br>Secured Debt (Maturity September 25,<br>2017)(9)(14)<br>Warrants (1,375 equivalent shares) | 6,302               | 6,119<br>151<br>6,270 | 1,954<br>1<br>1,955 |
| <b>Mood Media Corporation(11)(13)</b>           | Provider of Electronic Equipment                      | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity May 1, 2019)(9)  | 12,193              | 12,053                | 11,964              |
| <b>MP Assets Corporation(11)</b>                | Manufacturer of Battery Components                    | LIBOR Plus 4.50% (Floor 1.00%),<br>Current Coupon 5.50%, Secured Debt<br>(Maturity December 19, 2019)(9)  | 4,416               | 4,378                 | 4,394               |
| <b>New Media Holdings II LLC(11)(13)</b>        | Local Newspaper Operator                              | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity June 4, 2020)(9)   | 14,925              | 14,649                | 14,776              |
| <b>Nice-Pak Products, Inc.(11)</b>              | Pre-Moistened Wipes Manufacturer                      | LIBOR Plus 6.00% (Floor 1.50%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity June 18, 2015)(9)  | 12,541              | 12,518                | 12,478              |
| <b>North Atlantic Trading Company, Inc.(11)</b> | Marketer/Distributor of Tobacco Products              | LIBOR Plus 6.50% (Floor 1.25%),<br>Current Coupon 7.75%, Secured Debt<br>(Maturity January 13, 2020)(9)   | 7,426               | 7,361                 | 7,305               |
| <b>Novitex Intermediate, LLC(11)</b>            | Provider of Document Management Services              | LIBOR Plus 6.25% (Floor 1.25%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity July 7, 2020)(9)   | 5,985               | 5,929                 | 5,746               |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>  | Estrogen-Deficiency Drug Manufacturer and Distributor |   |                     |                       |                     |



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|   |                                  |  |       |       |       |
|---|----------------------------------|--|-------|-------|-------|
|   |                                  | 11.5% Secured Debt (Maturity November 15, 2026)  | 5,205 | 5,205 | 5,205 |
| <b>Panolam Industries International, Inc.(11)</b> | Decorative Laminate Manufacturer | LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity August 23, 2017)(9) | 6,994 | 6,949 | 6,889 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>   | <b>Business Description</b>   | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|---|---|--|---------------------|----------------|-------------------|
| <b>Parq Holdings Limited Partnership(11)(13)</b>                    | Hotel & Casino Operator   | LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity December 17, 2020)(9) | 6,226               | 6,078          | 6,108             |
| <b>Permian Holdings, Inc.(11)</b>                                   | Storage Tank<br>Manufacturer  | 10.5% Secured Debt (Maturity<br>January 15, 2018)  | 2,755               | 2,728          | 2,066             |
| <b>Pernix Therapeutics Holdings, Inc.(10)(13)</b>                   | Pharmaceutical Royalty<br>Anti-Migraine   | 12% Secured Debt (Maturity August 1,<br>2020)  | 4,000               | 4,000          | 4,000             |
| <b>PeroxyChem LLC(11)</b>   | Chemical Manufacturer   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity February 28, 2020)(9) | 8,933               | 8,774          | 8,843             |
| <b>Philadelphia Energy Solutions Refining and Marketing LLC(11)</b> | Oil & Gas Refiner   | LIBOR Plus 5.00% (Floor 1.25%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity April 4, 2018)(9)     | 2,948               | 2,917          | 2,785             |
| <b>Pike Corporation(11)</b>   | Construction and<br>Maintenance Services for<br>Electric Transmission<br>and Distribution<br>Infrastructure | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity June 22, 2022)(9)     | 15,000              | 14,628         | 14,825            |
| <b>Polyconcept Financial B.V.(11)</b>                               | Promotional Products to<br>Corporations and<br>Consumers  | LIBOR Plus 4.75% (Floor 1.25%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity June 28, 2019)(9)     | 4,325               | 4,311          | 4,309             |
| <b>Primesight Limited(10)(13)</b>                                   | Outdoor Advertising<br>Operator   | 10% Secured Debt (Maturity<br>October 22, 2016)  | 8,869               | 8,806          | 8,284             |
| <b>Printpack Holdings, Inc.(11)</b>                                 | Manufacturer of Flexible<br>and Rigid Packaging   | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity May 29, 2020)(9)      | 5,468               | 5,417          | 5,450             |
| <b>PT Network, LLC(10)</b>  |   |  |                     |                |                   |

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Provider of Outpatient  
Physical Therapy and  
Sports Medicine Services

LIBOR Plus 7.00% (Floor 1.50%),  
Current Coupon 8.50%, Secured Debt  
(Maturity November 1, 2018)(9)

11,946

11,828

11,828

130

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description  | Type of Investment(2)(3)  | Principal(4)   | Cost(4)               | Fair Value              |
|--|---|---|----------------|-----------------------|-------------------------|
| <b>QBS Parent, Inc.(11)</b>                  | Provider of Software and Services to the Oil & Gas Industry | LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity August 7, 2021)(9)                           | 10,000         | 9,905                 | 9,825                   |
| <b>RCHP, Inc.(11)</b>                        | Regional Non-Urban Hospital Owner/Operator                  | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity October 23, 2019)(9)                        | 4,000          | 3,945                 | 3,990                   |
| <b>Recorded Books Inc.(11)</b>               | Audiobook and Digital Content Publisher                     | LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25%, Secured Debt (Maturity January 31, 2020)(9)                         | 12,031         | 11,925                | 11,941                  |
| <b>Relativity Media, LLC(10)</b>             | Full-Scale Film and Television Production and Distribution  | 10% Secured Debt (Maturity May 30, 2015)<br>15% PIK Secured Debt (Maturity May 30, 2015)<br>Class A Units (260,194 units) | 5,787<br>7,410 | 5,772<br>7,347<br>292 | 5,801<br>7,558<br>1,086 |
|  |   |   |                | 13,411                | 14,445                  |
| <b>Renaissance Learning, Inc.(11)</b>        | Technology-based K-12 Learning Solutions                    | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity April 11, 2022)(9)                           | 3,000          | 2,972                 | 2,880                   |
| <b>RGL Reservoir Operations Inc.(11)(13)</b> | Oil & Gas Equipment and Services                            | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 13, 2021)(9)                          | 3,990          | 3,876                 | 3,219                   |
| <b>RLJ Entertainment, Inc.(10)</b>           | Movie and TV Programming Licensee and Distributor           | LIBOR Plus 8.75% (Floor 0.25%), Current Coupon 9.00%, Secured Debt (Maturity September 11, 2019)(9)                       | 11,399         | 11,318                | 11,318                  |
| <b>SAExploration, Inc.(10)(13)</b>           | Geophysical Services Provider                               | Common Stock (6,472 shares)(8)  |                | 65                    | 27                      |
| <b>Sage Automotive Interiors, Inc(11)</b>    |   |   |                |                       |                         |

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Automotive Textiles  
Manufacturer

LIBOR Plus 8.00% (Floor 1.00%),  
Current Coupon 9.00%, Secured Debt  
(Maturity October 8, 2021)(9)

3,000

2,971

2,985

131

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)                                    | Business Description                                     | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|--|--|--------------|---------|------------|
| <b>Sagittarius Restaurants LLC (d/b/a Del Taco)(11)</b> | Mexican/American QSR Restaurant Chain                    | LIBOR Plus 4.50% (Floor 1.00%),<br>Current Coupon 5.50%, Secured Debt<br>(Maturity October 1, 2018)(9)   | 4,591        | 4,572   | 4,562      |
| <b>SCE Partners, LLC(10)</b>                            | Hotel & Casino Operator                                  | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity August 14, 2019)(9)   | 7,481        | 7,421   | 7,519      |
| <b>Sotera Defense Solutions, Inc.(11)</b>               | Defense Industry<br>Intelligence Services                | LIBOR Plus 7.50% (Floor 1.50%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity April 21, 2017)(9)  | 10,984       | 10,564  | 10,160     |
| <b>Symphony Teleca Services, Inc.(11)</b>               | Outsourced Product<br>Development                        | LIBOR Plus 4.75% (Floor 1.00%),<br>Current Coupon 5.75%, Secured Debt<br>(Maturity August 7, 2019)(9)  | 14,000       | 13,870  | 13,930     |
| <b>Synagro Infrastructure Company, Inc(11)</b>          | Waste Management<br>Services                             | LIBOR Plus 5.25% (Floor 1.00%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity August 22, 2020)(9)   | 6,913        | 6,798   | 6,822      |
| <b>Targus Group International(11)</b>                   | Distributor of Protective<br>Cases for Mobile<br>Devices | LIBOR Plus 9.50% (Floor 1.50%),<br>Current Coupon 11.00% / 1.00% PIK,<br>Current Coupon Plus PIK 12.00%,<br>Secured Debt (Maturity May 24,<br>2016)(9)   | 4,288        | 4,299   | 3,495      |
| <b>TeleGuam Holdings, LLC(11)</b>                       | Cable and Telecom<br>Services Provider                   | LIBOR Plus 4.00% (Floor 1.25%),<br>Current Coupon 5.25%, Secured Debt<br>(Maturity December 10, 2018)(9)<br>LIBOR Plus 7.50% (Floor 1.25%),<br>Current Coupon 8.75%, Secured Debt<br>(Maturity June 10, 2019)(9) | 6,830        | 6,813   | 6,796      |
|   |  |  | 2,500        | 2,480   | 2,512      |
|   |  |  |              | 9,293   | 9,308      |
| <b>Templar Energy LLC(11)</b>                           | Oil & Gas Exploration &<br>Production                    | LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity November 25, 2020)(9)   | 5,000        | 4,945   | 3,615      |

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|                                     |   |                                      |     |     |
|-------------------------------------|---|--------------------------------------|-----|-----|
| <b>The Tennis Channel, Inc.(10)</b> | Television-Based Sports<br>Broadcasting | Warrants (114,316 equivalent shares) | 235 | 301 |
|                                     |   | 132                                  |     |     |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| <b>Portfolio Company(1)</b>                          | <b>Business Description</b>  | <b>Type of Investment(2)(3)</b>  | <b>Principal(4)</b> | <b>Cost(4)</b> | <b>Fair Value</b> |
|--|--|--|---------------------|----------------|-------------------|
| <b>The Topps Company, Inc.(11)</b>                   | Trading Cards & Confectionary  | LIBOR Plus 6.00% (Floor 1.25%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity October 2, 2018)(9)   | 1,980               | 1,964          | 1,930             |
| <b>Therakos, Inc.(11)</b>                            | Immune System Disease Treatment  | LIBOR Plus 5.75% (Floor 1.25%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity December 27, 2017)(9)   | 6,278               | 6,178          | 6,255             |
| <b>TOMS Shoes, LLC(11)</b>                           | Global Designer, Distributor, and Retailer of Casual Footwear                    | LIBOR Plus 5.50% (Floor 1.00%),<br>Current Coupon 6.50%, Secured Debt<br>(Maturity October 30, 2020)(9)  | 5,000               | 4,511          | 4,625             |
| <b>Travel Leaders Group, LLC(11)</b>                 | Travel Agency Network Provider   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity December 5, 2018)(9)  | 12,445              | 12,305         | 12,445            |
| <b>UniTek Global Services, Inc.(11)</b>              | Provider of Outsourced Infrastructure Services                                   | LIBOR Plus 9.50% (Floor 1.50%),<br>Current Coupon 11.00% / 4.00% PIK,<br>Current Coupon Plus PIK 15.00%,<br>Secured Debt (Maturity April 15,<br>2018)(9)(14) | 10,776              | 10,173         | 7,942             |
|  |  | 5% Current / 2.25% PIK Secured Debt<br>(Maturity August 13, 2019)(14)  | 640                 | 640            | 640               |
|  |  | Warrants (267,302 equivalent shares)   |                     | 449            |                   |
|  |  |  |                     | 11,262         | 8,582             |
| <b>Universal Fiber Systems, LLC(10)</b>              | Manufacturer of Synthetic Fibers   | LIBOR Plus 4.25% (Floor 1.00%),<br>Current Coupon 5.25%, Secured Debt<br>(Maturity January 31, 2019)(9)  | 5,094               | 5,084          | 5,082             |
| <b>Universal Wellhead Services Holdings, LLC(10)</b> | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Class A Preferred Units (4,000,000 units)  |                     | 4,000          | 4,000             |
| <b>US Joiner Holding Company(11)</b>                 | Marine Interior Design and Installation  |  | 7,444               | 7,410          | 7,332             |



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LIBOR Plus 6.00% (Floor 1.00%),  
Current Coupon 7.00%, Secured Debt  
(Maturity April 16, 2020)(9)

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule Of Investments (Continued)**

**December 31, 2014**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)             | Fair Value          |
|--|---|---|--------------|---------------------|---------------------|
| <b>Vantage Oncology, LLC(11)</b>   | Outpatient Radiation Oncology Treatment Centers                               | 9.5% Secured Debt (Maturity June 5, 2017)   | 7,000        | 7,000               | 6,790               |
| <b>Virtex Enterprises, LP(10)</b>  | Specialty, Full-Service Provider of Complex Electronic Manufacturing Services | 12% Secured Debt (Maturity December 27, 2018)<br>Preferred Class A Units (14 units; 5% cumulative)(8)<br>Warrants (11 equivalent units) | 1,667        | 1,479<br>344<br>186 | 1,479<br>344<br>186 |
|  |   |   |              | 2,009               | 2,009               |
| <b>Vision Solutions, Inc.(11)</b>  | Provider of Information Availability Software                                 | LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity July 23, 2017)(9)  | 5,000        | 4,941               | 4,872               |
| <b>Western Dental Services, Inc.(11)</b>   | Dental Care Services  | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity November 1, 2018)(9)                                       | 5,395        | 5,391               | 5,153               |
| <b>Wilton Brands LLC(11)</b>   | Specialty Housewares Retailer   | LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity August 30, 2018)(9)  | 1,750        | 1,727               | 1,636               |
| <b>Worley Claims Services, LLC(10)</b>   | Insurance Adjustment Management and Services Provider                         | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 31, 2020)(9)                                       | 6,500        | 6,437               | 6,533               |
| <b>Zilliant Incorporated</b>   | Price Optimization and Margin Management Solutions                            | Warrants (952,500 equivalent shares)  |              | 1,071               | 1,071               |
| <b>Subtotal Non-Control/Non-Affiliate Investments (51.8% of total investments at fair value)</b> |   |   |              | <b>\$ 832,312</b>   | <b>\$ 814,809</b>   |
| <b>Total Portfolio Investments, December 31, 2014</b>  |   |   |              | <b>\$ 1,441,402</b> | <b>\$ 1,563,330</b> |



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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule Of Investments (Continued)

December 31, 2014  
(dollars in thousands)

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)        | Principal(4) | Cost(4)      | Fair Value   |
|--|---|---------------------------------|--------------|--------------|--------------|
| <b>Marketable Securities and Idle Funds Investments</b>  |   |                                 |              |              |              |
| Solar Senior Capital Ltd.(13)(15)  | Business Development Company  | Common Stock (39,000 shares)(8) |              | \$ 742       | \$ 584       |
| Other Marketable Securities and Idle Funds Investments(13)(15)   | Investments in Marketable Securities and Diversified, Registered Bond Funds |                                 |              | 9,862        | 8,483        |
| <b>Subtotal Marketable Securities and Idle Funds Investments (0.6% of total investments at fair value)</b> |   |                                 |              | \$ 10,604    | \$ 9,067     |
| <b>Total Investments, December 31, 2014</b>  |   |                                 |              | \$ 1,452,006 | \$ 1,572,397 |

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. See Note B for a description of Lower Middle Market portfolio investments. All of the Company's investments, unless otherwise noted, are encumbered either as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C for a summary of geographic location of portfolio companies.
- (4) Principal is net of repayments. Cost is net of repayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9)

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Index based floating interest rate is subject to contractual minimum interest rate. Variable rate loans bear interest at a rate that may be determined by reference to either LIBOR (which can include one-, two-, three- or six-month LIBOR) or Prime, at the borrower's option, which rates reset periodically based on the terms of the loan agreement.

- (10) Private Loan portfolio investment. See Note B for a description of Private Loan portfolio investments.
- (11) Middle Market portfolio investment. See Note B for a description of Middle Market portfolio investments.
- (12) Other Portfolio investment. See Note B for a description of Other Portfolio investments.
- (13) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.
- (14) Non-accrual and non-income producing investment.
- (15) Marketable securities and idle fund investments.
- (16) External Investment Manager. Investment is not encumbered as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (17) Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.
- (18) Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investments in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investments in this portfolio company are on non-accrual status.

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

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

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

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

MSCC has certain direct and indirect wholly owned subsidiaries that have elected to be taxable entities (the "Taxable Subsidiaries"). The primary purpose of the Taxable Subsidiaries is to permit MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes. The External Investment Manager and Main Street Capital Partners, LLC, ("MSCP") are also direct wholly owned subsidiaries that have elected to be taxable entities. The Taxable Subsidiaries, MSCP and the External Investment Manager 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", the "Company" and "Main Street" refer to MSCC and its consolidated subsidiaries, which include the Funds and the Taxable Subsidiaries and, beginning April 1, 2013, MSCP (as discussed further below).

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. Basis of Presentation**

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment Portfolio, as used herein, refers to all of Main Street's investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, but excludes all "Marketable securities and idle funds investments" (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Composition Portfolio Investment Composition for additional discussion of Main Street's Investment Portfolio and definitions for the terms LMM, Middle Market, Private Loan and Other Portfolio). "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on Main Street's consolidated balance sheets and consolidated schedules of investments due to the nature of such investments (see Note B.11.). Main Street's results of operations and cash flows for the years ended December 31, 2015, 2014 and 2013 and financial position as of December 31, 2015 and 2014, 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 to the current presentation, including reclassifying the expenses charged to the External Investment Manager.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services Investment Companies* ("ASC 946"), Main Street is precluded from consolidating other entities in which Main Street has equity investments, including those in which it has a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if Main Street holds a controlling interest in an operating company that provides all or substantially all of its services directly to Main Street or to its portfolio companies. Accordingly, as noted above, MSCC's consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. Beginning April 1, 2013, MSCC's consolidated financial statements also include the financial position and operating results for MSCP, as the wholly owned subsidiary provides all of its services directly or indirectly to Main Street or its portfolio companies. For all periods up to and including the period ending March 31, 2013, MSCP was accounted for as a portfolio investment. Main Street has determined that all of its portfolio investments do not qualify for this exception, including the investment in the External Investment Manager. Therefore, Main Street's Investment Portfolio is carried on the consolidated 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 consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)."

***Portfolio Investment Classification***

Main Street classifies its Investment Portfolio in accordance with the requirements of the 1940 Act. Under the 1940 Act, (a) "Control Investments" are defined as investments in which Main Street owns more than 25% of the voting securities or has rights to maintain greater than 50% of the board representation, (b) "Affiliate Investments" are defined as investments in which Main Street owns between 5% and 25% of the voting securities and does not have rights to maintain greater than 50% of the board representation, and (c) "Non-Control/Non-Affiliate Investments" are defined as investments that are neither Control Investments nor Affiliate Investments.

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Valuation of the Investment Portfolio**

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

Main Street's portfolio strategy calls for it to invest primarily in illiquid debt and equity securities issued by private, LMM companies and more liquid debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. Main Street categorizes some of its investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments Main Street holds in its LMM portfolio and Middle Market portfolio. Main Street's portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for its LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Main Street's portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. Main Street determines in good faith the fair value of its Investment Portfolio 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's valuation policies and processes are intended to provide a consistent basis for determining the fair value of Main Street's Investment Portfolio.

For LMM portfolio investments, Main Street generally reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process by using an enterprise value waterfall methodology ("Waterfall") for its LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for its LMM debt investments. For Middle Market portfolio investments, Main Street primarily uses quoted prices in the valuation process. Main Street determines the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on its understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. For Middle Market and Private Loan portfolio investments in debt securities for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For its Other Portfolio equity investments, Main Street generally calculates the fair value of the investment primarily based on the net asset value ("NAV") of the fund. All of the valuation approaches for Main Street's portfolio investments estimate the value of the investment as if Main Street were to sell, or exit, the investment as of the measurement date.



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**MAIN STREET CAPITAL CORPORATION**

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

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, "control" portfolio investments are composed of debt and equity securities in companies for which Main Street has a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. For valuation purposes, "non-control" portfolio investments are generally composed of debt and equity securities in companies for which Main Street does not have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors.

Under the Waterfall valuation method, Main Street estimates the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then performs a waterfall calculation by using the enterprise value over the portfolio company's securities in order of their preference relative to one another. 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. The operating results of a portfolio company used in the current period valuation are generally the results from the period ended three months prior to the valuation date and may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, Main Street also analyzes the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, Main Street allocates the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, Main Street assumes the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which Main Street believes is consistent with its past transaction history and standard industry practices.

Under the Yield-to-Maturity valuation method, Main Street also uses the income approach to determine the fair value of debt securities based on projections of the discounted future free cash flows that the debt security will likely generate, including analyzing the discounted cash flows of interest and principal amounts for the debt security, as set forth in the associated loan agreements, as well as the financial position and credit risk of the portfolio investments. Main Street's estimate of the expected repayment date of its debt securities is generally the legal maturity date of the instrument, as Main Street generally intends to hold its loans and debt securities to maturity. The Yield-to-Maturity analysis also considers changes in leverage levels, credit quality, portfolio company performance and other factors. Main Street will generally use the value determined by the Yield-to-Maturity analysis as the fair value for that security; however, because of Main Street's general intent to hold its loans to maturity, the fair value will not exceed the principal amount of the debt security valued using the Yield-to-Maturity valuation method. A change in the assumptions that Main Street uses to estimate the fair value of its debt securities using the Yield-to-Maturity valuation method could have a material impact on the determination of fair value. If there is deterioration in credit quality or if a debt security is in workout status, Main Street may consider other factors in determining the fair value of the debt security, including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

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Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, Main Street measures the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date and adjusts the fair value for known factors that would significantly affect that fund's NAV for individual investments held by the fund if Main Street holds the same investment or for a publicly traded investment. In addition, in determining the fair value of the investment, Main Street may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of Main Street's investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, and expected future cash flows available to equity holders, including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding Main Street's ability to realize the full NAV of its interests in the investment fund.

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on each of its portfolio investments quarterly. In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm analyzes and provides observations and recommendations regarding the Company's determinations of the fair value of its LMM portfolio company investments. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each LMM portfolio company at least once every calendar year, and for Main Street's investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on its investments in 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 financial advisory services firm in arriving at Main Street's determination of fair value on its investments in a total of 54 LMM portfolio companies for the year ended December 31, 2015, representing approximately 87% of the total LMM portfolio at fair value as of December 31, 2015, and on a total of 52 LMM portfolio companies for the year ended December 31, 2014, representing approximately 83% of the total LMM portfolio at fair value as of December 31, 2014. Excluding investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of December 31, 2015 and 2014, as applicable, and investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed by the independent financial advisory services firm for the years ended December 31, 2015 and 2014 was 98% and 99% of the total LMM portfolio at fair value as of December 31, 2015 and 2014, respectively.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, Main Street uses observable inputs to determine the fair value of these investments through obtaining third-party quotes or other independent pricing. For Middle Market portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method. The Company does not generally consult with any financial advisory services firms in connection with determining the fair value of its Middle Market debt investments. Because 99% and 98% of the Middle Market portfolio investments as of December 31, 2015 and 2014, respectively, were valued using third party

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**MAIN STREET CAPITAL CORPORATION**

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

quotes or other independent pricing services, we do not generally consult with any financial advisory services firms in connection with determining the fair value of our Middle Market investments.

For valuation purposes, all of Main Street's Private Loan portfolio investments are non-control investments. For Private Loan portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Private Loan debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Private Loan equity investments in a current hypothetical sale using the Waterfall valuation method.

In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its Private Loan portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm analyzes and provides observations and recommendations regarding the Company's determinations of the fair value of its Private Loan portfolio company investments. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each Private Loan portfolio company at least once every calendar year, and for Main Street's investments in new Private Loan 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 financial advisory services firm on its investments in one or more Private Loan portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a Private Loan portfolio company is determined to be insignificant relative to the total Investment Portfolio. Main Street consulted with its independent financial advisory services firm in arriving at its determination of fair value on its investments in a total of 16 Private Loan portfolio companies for the year ended December 31, 2015, representing approximately 49% of the total Private Loan portfolio at fair value as of December 31, 2015. Excluding its investments in new Private Loan portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the most recent investment decision as of December 31, 2015 and its investments in the Private Loan portfolio companies that were not reviewed because the investment is publicly traded or quoted by banks, the percentage of the Private Loan portfolio reviewed by its independent financial advisory services firm for the year ended December 31, 2015 was 95% of the total Private Loan portfolio at fair value as of December 31, 2015.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised approximately 4.2% and 3.8%, respectively, of Main Street's Investment Portfolio at fair value as of December 31, 2015 and 2014. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For its Other Portfolio equity investments, Main Street generally determines the fair value of its investments using the NAV valuation method. For Other Portfolio debt investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method. For Other Portfolio debt investments for which third-party quotes or other independent pricing are available and appropriate, Main Street determines the fair value of these investments through obtaining third party quotes or other independent pricing to the extent that these inputs are available and appropriate to determine fair value.

For valuation purposes, Main Street's investment in the External Investment Manager is a control investment. Market quotations are not readily available for this investment, and as a result, Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the

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**MAIN STREET CAPITAL CORPORATION**

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

market approach. In estimating the enterprise value, Main Street analyzes various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market comparables. This valuation approach estimates the value of the investment as if Main Street were to sell, or exit, the investment. In addition, Main Street considers the value associated with Main Street's ability to control the capital structure of the company, as well as the timing of a potential exit.

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

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

The Board of Directors of Main Street has the final responsibility for overseeing, reviewing and approving, in good faith, Main Street's determination of the fair value for its Investment Portfolio, as well as its valuation procedures, consistent with 1940 Act requirements. Main Street believes its Investment Portfolio as of December 31, 2015 and 2014 approximates fair value as of those dates based on the markets in which Main Street operates and other conditions in existence on those reporting dates.

**2. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates under different conditions or assumptions. Additionally, as explained in Note B.1., the financial statements include investments in the Investment Portfolio 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 Investment Portfolio valuations, those estimated values may differ significantly from the values that would have been determined 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 cash and highly liquid investments with an original maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at cost, which approximates fair value.

At December 31, 2015, cash balances totaling \$17.5 million exceeded Federal Deposit Insurance Corporation insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

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**MAIN STREET CAPITAL CORPORATION**

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

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

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

**5. Interest, Dividend and Fee Income (Structuring and Advisory Services)**

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

Main Street holds certain debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. Main Street stops accruing PIK interest and cumulative dividends and writes off any accrued and uncollected interest and dividends in arrears when it determines that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2015, 2014 and 2013, (i) approximately 2.2%, 3.3% and 4.3%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.0%, 1.3% and 1.2%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of December 31, 2015, Main Street's total Investment Portfolio had six investments on non-accrual status, which comprised approximately 0.4% of its fair value and 3.7% of its cost. As of December 31, 2014, Main Street's total Investment Portfolio had five investments on non-accrual status, which comprised approximately 1.7% of its fair value and 4.7% of its cost.

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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A presentation of the investment income Main Street received from its Investment Portfolio in each of the periods presented is as follows:

|   | Twelve Months Ended December 31, |            |            |
|---|----------------------------------|------------|------------|
|   | 2015                             | 2014       | 2013       |
|   | (dollars in thousands)           |            |            |
| Interest, fee and dividend income:      |                                  |            |            |
| Interest income                         | \$ 131,333                       | \$ 110,362 | \$ 94,546  |
| Dividend income                         | 24,266                           | 22,235     | 14,124     |
| Fee income                              | 8,004                            | 7,342      | 6,488      |
| Total interest, fee and dividend income | \$ 163,603                       | \$ 139,939 | \$ 115,158 |

**6. Deferred Financing Costs**

Deferred financing costs include SBIC debenture commitment fees and SBIC debenture leverage fees on the SBIC debentures which are not accounted for under the fair value option under ASC 825 (as discussed further in Note B.11.). These fees are approximately 3.4% of the total commitment and draw amounts, as applicable. These deferred financing costs have been capitalized and are being amortized into interest expense over the ten year term of each debenture agreement.

Deferred financing costs also include commitment fees and other costs related to Main Street's multi-year investment credit facility (the "Credit Facility", as discussed further in Note G) and its notes (as discussed further in Note H). These costs have been capitalized and are amortized into interest expense over the term of the individual instrument.

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

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

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

Main Street may also purchase debt securities at a discount or at a premium to the par value of the debt security. In the case of a purchase at a discount, Main Street records the investment at the par value of the debt security net of the discount, and the discount is accreted into interest income based on the effective interest method over the life of the debt investment. In the case of a purchase at a premium, Main Street records the investment at the par value of the debt security plus the premium, and the premium is amortized as a reduction to interest income based on the effective interest method over the life of the debt investment.

To maintain RIC tax treatment (as discussed below in Note B.9.), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have

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collected the interest income. For the years ended December 31, 2015, 2014 and 2013, approximately 2.6%, 3.1% and 3.3%, respectively, of Main Street's total investment income was attributable to interest income from the accretion of discounts associated with debt investments, net of any premium reduction.

**8. 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 the fair value of the awards as share-based compensation expense over the requisite service period, which is generally the vesting term.

**9. Income Taxes**

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S Federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S federal income tax return for the applicable fiscal year or (ii) fifteenth day of the ninth month following the close of the year which generated such taxable income.

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

As noted above, beginning April 1, 2013, MSCC's wholly owned subsidiary MSCP is included in Main Street's consolidated financial statements for financing reporting purposes. For tax purposes, MSCP has elected to be treated as a taxable entity, and therefore is not consolidated with MSCC for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The taxable income, or loss, of MSCP may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

The Taxable Subsidiaries and MSCP 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.

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**MAIN STREET CAPITAL CORPORATION**

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

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.

**10. Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation**

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment or a financial instrument and the cost basis of the investment or financial instrument, 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 reflects the net change in the fair value of the Investment Portfolio and financial instruments and the reclassification of any prior period unrealized appreciation or depreciation on exited investments and financial instruments to realized gains or losses.

**11. Fair Value of Financial Instruments**

Fair value estimates are made at discrete points in time based on relevant information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Main Street believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, receivables, payables and other liabilities approximate the fair values of such items due to the short term nature of these instruments. Marketable securities and idle funds investments may include investments in certificates of deposit, U.S. government agency securities, independently rated debt investments, diversified bond funds and publicly traded debt and equity investments and the fair value determination for these investments under the provisions of ASC 820 generally consists of Level 1 and 2 observable inputs, similar in nature to those discussed further in Note C.

As part of Main Street's acquisition of the majority of the equity interests of MSC II in January 2010 (the "MSC II Acquisition"), Main Street elected the fair value option under ASC 825, *Financial Instruments* ("ASC 825") relating to accounting for debt obligations at their fair value, for the MSC II SBIC debentures acquired (the "Acquired Debentures") as part of the acquisition accounting related to the MSC II Acquisition and values those obligations as discussed further in Note C. In order to provide for a more consistent basis of presentation, Main Street has continued to elect the fair value option for SBIC debentures issued by MSC II subsequent to the MSC II Acquisition. When the fair value option is elected for a given SBIC debenture, the deferred loan costs associated with the debenture are fully expensed in the current period to "Net Change in Unrealized Appreciation (Depreciation) SBIC debentures" as part of the fair value adjustment. Interest incurred in connection with SBIC debentures which are valued at fair value is included in interest expense.

**12. 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. In accordance with ASC 260, *Earnings Per Share*, the unvested shares of restricted stock awarded pursuant to Main Street's equity compensation plans are participating securities and are 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.

**13. Recently Issued or Adopted Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The



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

core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. The FASB tentatively decided to defer the effective date of the new revenue standard for public entities under U.S. GAAP for one year. If finalized, the new guidance will be effective for the annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. Early adoption would be permitted for annual reporting periods beginning after December 15, 2016. Main Street is currently evaluating the impact the adoption of this new accounting standard will have on its financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is currently being evaluated.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements - Disclosures for Certain Entities that Calculate Net Asset Value per Share*. This amendment updates guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy, while investments for which fair value is measured at net asset value per share but the practical expedient is not applied should continue to be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is currently being evaluated.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by Main Street as of the specified effective date. Main Street believes that the impact of recently issued standards and any that are not yet effective will not have a material impact on its financial statements upon adoption.

**NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION**

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

**Fair Value Hierarchy**

In accordance with ASC 820, Main Street has categorized its investments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the

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

highest priority to quoted prices in active markets for identical investments (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

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

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

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

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 tables 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. During the classification process, Main Street may determine that it is appropriate to transfer investments between fair value hierarchy Levels. These transfers occur when Main Street has concluded that it is appropriate for the classification of an individual asset to be changed due to a change in the factors used to determine the selection of the Level. Any such changes are deemed to be effective during the quarter in which the transfer occurs.

As of December 31, 2015 and 2014, all except for one of Main Street's LMM portfolio investments consisted of illiquid securities issued by private companies. The remaining investment was a publicly traded equity security. As a result, the fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. The fair value determination for the publicly traded equity security consisted of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of December 31, 2015 and 2014, except for the one publicly traded equity security which was categorized as Level 2.

As of December 31, 2015 and 2014, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments.



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

The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Middle Market portfolio investments were categorized as Level 3 as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, Main Street's Private Loan portfolio investments primarily consisted of investments in interest-bearing secured debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Private Loan portfolio investments were categorized as Level 3 as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, Main Street's Other 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 Other Portfolio investments were categorized as Level 3 as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, Main Street's Marketable securities and idle funds investments consisted primarily of investments in publicly traded debt and equity investments. The fair value determination for these investments consisted of a combination of observable inputs in active markets for which sufficient observable inputs were available to determine the fair value of these investments. As a result, all of Main Street's Marketable securities and idle funds investments were categorized as Level 1 as of December 31, 2015 and 2014.

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

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

Current and projected financial condition of the portfolio company;

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

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

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

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

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

Current information regarding any offers to purchase the investment;

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

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be appropriate), are (i) EBITDA multiples and (ii) the weighted-average cost of capital ("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM, Middle Market, Private Loan and Other Portfolio debt securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (described in Note B.1. Valuation of the Investment Portfolio) and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the tables below.

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of December 31, 2015 and 2014:

| Type of Investment        | Fair Value as of<br>December 31,<br>2015<br>(in thousands) | Valuation Technique                  | Significant<br>Unobservable Inputs     | Range(3)        | Weighted<br>Average(3) | Median(3) |
|---------------------------|--|--------------------------------------|--|-----------------|------------------------|-----------|
| Equity investments        | \$ 530,612   | Discounted cash flow                 | Weighted-average cost of capital       | 10.5% - 25.1%   | 13.4%                  | 13.9%     |
|                           |  | Market comparable / Enterprise Value | EBITDA multiple(1)                     | 4.0x - 8.5x(2)  | 7.0x                   | 5.5x      |
| Debt investments          | \$ 628,492   | Discounted cash flow                 | Risk adjusted discount factor          | 8.1% - 15.3%(2) | 11.9%                  | 11.9%     |
|                           |  |                                      | Expected principal recovery percentage | 16.6% - 100.0%  | 99.7%                  | 100.0%    |
| Debt investments          | \$ 637,052   | Market approach                      | Third party quote                      | 12.1 - 100.1    |                        |           |
| Total Level 3 investments | \$ 1,796,156   |                                      |  |                 |                        |           |

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

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 18.8x and the range for risk adjusted discount factor is 6.7% - 29.6%.

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

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

| Type of Investment        | Fair Value as of December 31, 2014<br>(in thousands) | Valuation Technique                  | Significant Unobservable Inputs        | Range(3)        | Weighted Average(3) | Median(3) |
|---------------------------|--|--------------------------------------|--|-----------------|---------------------|-----------|
| Equity investments        | \$ 407,569   | Discounted cash flow                 | Weighted average cost of capital       | 11.4% - 23.4%   | 13.9%               | 14.3%     |
|                           |  | Market comparable / Enterprise Value | EBITDA multiple(1)                     | 4.0x - 7.8x(2)  | 6.4x                | 5.2x      |
| Debt investments          | \$ 557,604   | Discounted cash flow                 | Risk adjusted discount factor          | 7.5% - 15.8%(2) | 12.1%               | 11.1%     |
|                           |  |                                      | Expected principal recovery percentage | 42.0% - 100.0%  | 99.3%               | 100.0%    |
| Debt investments          | \$ 589,677   | Market approach                      | Third party quote                      | 60.1 - 102.3    |                     |           |
| Total Level 3 investments | \$ 1,554,850   |                                      |  |                 |                     |           |

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

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 17.5x and the range for risk adjusted discount factor is 6.0% - 32.0%.

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

The following tables provide a summary of changes in fair value of Main Street's Level 3 portfolio investments for the years ended December 31, 2015 and 2014 (amounts in thousands):

| Type of Investment | Fair Value as of December 31, 2014 | Transfers Into Level 3 Hierarchy | Redemptions/ Repayments | New Investments | Net Changes from Unrealized to Realized | Net Unrealized Appreciation (Depreciation) | Other(1) | Fair Value as of December 31, 2015 |
|--------------------|------------------------------------|----------------------------------|-------------------------|-----------------|---|--|----------|------------------------------------|
| Debt               | 1,147,281                          |                                  | (598,076)               | 759,778         | 27,080                                  | (59,269)                                   | (11,250) | 1,265,544                          |
| Equity             | 391,933                            |                                  | (18,172)                | 80,746          | (7,958)                                 | 62,994                                     | 10,423   | 519,966                            |
| Equity Warrant     | 15,636                             |                                  | (9,723)                 | 2,153           | 2,153                                   | 2  | 425      | 10,646                             |
|                    | 1,554,850                          |                                  | (625,971)               | 842,677         | 21,275                                  | 3,727                                      | (402)    | 1,796,156                          |

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

| Type of Investment | Fair Value as of December 31, 2013 | Transfers Into Level 3 Hierarchy | Redemptions/ Repayments(1) | New Investments(1) | Net Changes from Unrealized | Net Unrealized Appreciation (Depreciation) | Other(1) | Fair Value as of December 31, 2014 |
|--------------------|------------------------------------|----------------------------------|----------------------------|--------------------|-----------------------------|--|----------|------------------------------------|
|--------------------|------------------------------------|----------------------------------|----------------------------|--------------------|-----------------------------|--|----------|------------------------------------|

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|         | to Realized |           |    |          |    |           |    |          |    |          |    |          |    |         |    |           |
|---------|-------------|-----------|----|----------|----|-----------|----|----------|----|----------|----|----------|----|---------|----|-----------|
| Debt    | \$          | 897,568   | \$ | 55,102   | \$ | (525,138) | \$ | 753,965  | \$ | 8,071    | \$ | (36,590) | \$ | (5,697) | \$ | 1,147,281 |
| Equity  |             | 270,764   |    | (16,460) |    | 72,289    |    | (5,212)  |    | 65,515   |    | 5,037    |    | 391,933 |    |           |
| Equity  |             | 36,558    |    | (1,537)  |    | 1,080     |    | (13,113) |    | (7,435)  |    | 83       |    | 15,636  |    |           |
| Warrant |             |           |    |          |    |           |    |          |    |          |    |          |    |         |    |           |
|         | \$          | 1,204,890 | \$ | 55,102   | \$ | (543,135) | \$ | 827,334  | \$ | (10,254) | \$ | 21,490   | \$ | (577)   | \$ | 1,554,850 |

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

As of December 31, 2015 and 2014, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a Yield-to-Maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each



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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of December 31, 2015 and 2014 (amounts in thousands):

| Type of Instrument | Fair Value<br>as of<br>December 31,<br>2015 | Valuation<br>Technique  | Significant<br>Unobservable Inputs | Range       | Weighted<br>Average |
|--------------------|---|-------------------------|------------------------------------|-------------|---------------------|
| SBIC debentures    | \$ 73,860                                   | Discounted cash<br>flow | Estimated market<br>interest rates | 4.1% - 5.8% | 4.9%                |

| Type of Instrument | Fair Value<br>as of<br>December 31,<br>2014 | Valuation<br>Technique  | Significant<br>Unobservable Inputs | Range       | Weighted<br>Average |
|--------------------|---|-------------------------|------------------------------------|-------------|---------------------|
| SBIC debentures    | \$ 72,981                                   | Discounted cash<br>flow | Estimated market<br>interest rates | 4.6% - 6.0% | 5.3%                |

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the years ended December 31, 2015 and 2014 (amounts in thousands):

| Type of Instrument            | Fair Value<br>as of<br>December 31,<br>2014 | Repayments | New SBIC<br>Debentures | Net<br>Unrealized<br>(Appreciation)<br>Depreciation | Fair Value<br>as of<br>December 31,<br>2015 |
|-------------------------------|---|------------|------------------------|---|---|
| SBIC debentures at fair value | \$ 72,981                                   | \$         | \$                     | \$ 879  | \$ 73,860                                   |

| Type of Instrument            | Fair Value<br>as of<br>December 31,<br>2013 | Repayments | New SBIC<br>Debentures | Net<br>Unrealized<br>(Appreciation)<br>Depreciation | Fair Value<br>as of<br>December 31,<br>2014 |
|-------------------------------|---|------------|------------------------|---|---|
| SBIC debentures at fair value | \$ 62,050                                   | \$         | \$                     | \$ 10,931   | \$ 72,981                                   |

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2015 and 2014, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

|   | Fair Value   | Fair Value Measurements<br>(in thousands)                               |   |  |
|---|--------------|---|---|--|
|   |              | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>At December 31, 2015</b>                         |              |   |   |  |
| LMM portfolio investments                           | \$ 862,710   | \$  | \$ 3,840  | \$ 858,870   |
| Middle Market portfolio investments                 | 586,900      |   |   | 586,900  |
| Private Loan portfolio investments                  | 248,313      |   |   | 248,313  |
| Other Portfolio investments                         | 74,801       |   |   | 74,801   |
| External Investment Manager                         | 27,272       |   |   | 27,272   |
| Total portfolio investments                         | 1,799,996    |   | 3,840   | 1,796,156  |
| Marketable securities and idle funds<br>investments | 3,693        | 3,693   |   |  |
| Total investments                                   | \$ 1,803,689 | \$ 3,693  | \$ 3,840  | \$ 1,796,156                                       |
| SBIC debentures at fair value                       | \$ 73,860    | \$  | \$  | \$ 73,860  |

|   | Fair Value   | Fair Value Measurements<br>(in thousands)                               |   |  |
|---|--------------|---|---|--|
|   |              | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>At December 31, 2014</b>                         |              |   |   |  |
| LMM portfolio investments                           | \$ 733,191   | \$  | \$ 8,480  | \$ 724,711   |
| Middle Market portfolio investments                 | 542,688      |   |   | 542,688  |
| Private Loan portfolio investments                  | 213,015      |   |   | 213,015  |
| Other Portfolio investments                         | 58,856       |   |   | 58,856   |
| External Investment Manager                         | 15,580       |   |   | 15,580   |
| Total portfolio investments                         | 1,563,330    |   | 8,480   | 1,554,850  |
| Marketable securities and idle funds<br>investments | 9,067        | 9,067   |   |  |
| Total investments                                   | \$ 1,572,397 | \$ 9,067  | \$ 8,480  | \$ 1,554,850                                       |
| SBIC debentures at fair value                       | \$ 72,981    | \$  | \$  | \$ 72,981  |

**Investment Portfolio Composition**

Main Street's lower middle market ("LMM") portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and its LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, Main Street receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.

Main Street's middle market ("Middle Market") portfolio investments primarily consist of direct investments in or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in Main Street's LMM

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**MAIN STREET CAPITAL CORPORATION**

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

portfolio. Main Street's Middle Market portfolio companies generally have annual revenues between \$150 million and \$1.5 billion, and its Middle Market investments generally range in size from \$3 million to \$15 million. Main Street's Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

Main Street's private loan ("Private Loan") portfolio investments are primarily debt securities which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments Main Street holds in its LMM portfolio and Middle Market portfolio. Main Street's Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

Main Street's external asset management business is conducted through its External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. Main Street has entered into an agreement to provide the External Investment Manager with asset management service support in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, Main Street provides management and other services to the External Investment Manager, as well as access to Main Street's employees, infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, Main Street began charging the External Investment Manager the cost for these services. Main Street's total expenses for the years ended December 31, 2015 and 2014 are net of expenses charged to the External Investment Manager of \$4.3 million and \$2.0 million, respectively.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could also be highly concentrated among several portfolio companies. For the years ended December 31, 2015, 2014 and 2013, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

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The following tables provide a summary of Main Street's investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of December 31, 2015 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 71                      | 86            | 40           |
| Fair value   | \$ 862.7                | \$ 586.9      | \$ 248.3     |
| Cost   | \$ 685.6                | \$ 637.2      | \$ 268.6     |
| % of portfolio at cost debt                                  | 70.4%                   | 98.3%         | 94.3%        |
| % of portfolio at cost equity                                | 29.6%                   | 1.7%          | 5.7%         |
| % of debt investments at cost secured by first priority lien | 91.8%                   | 86.6%         | 87.3%        |
| Weighted-average annual effective yield(b)                   | 12.2%                   | 8.0%          | 9.5%         |
| Average EBITDA(c)  | \$ 6.0                  | \$ 98.8       | \$ 13.1      |

- (a) At December 31, 2015, Main Street had equity ownership in approximately 96% of its LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 36%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2015, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of Main Street's common stock will realize on its investment because it does not reflect Main Street's expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including five LMM portfolio companies, three Middle Market portfolio companies and six Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

|  | As of December 31, 2014 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 66                      | 86            | 31           |
| Fair value   | \$ 733.2                | \$ 542.7      | \$ 213.0     |
| Cost   | \$ 599.4                | \$ 561.8      | \$ 224.0     |
| % of portfolio at cost debt                                  | 71.5%                   | 99.8%         | 95.6%        |
| % of portfolio at cost equity                                | 28.5%                   | 0.2%          | 4.4%         |
| % of debt investments at cost secured by first priority lien | 89.6%                   | 85.1%         | 87.8%        |
| Weighted-average annual effective yield(b)                   | 13.2%                   | 7.8%          | 10.1%        |
| Average EBITDA(c)  | \$ 5.0                  | \$ 77.2       | \$ 18.1      |

- (a) At December 31, 2014, Main Street had equity ownership in approximately 95% of its LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 35%.



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- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2014, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of Main Street's common stock will realize on its investment because it does not reflect Main Street's expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted-average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including two LMM portfolio companies, one Middle Market portfolio company and five Private Loan portfolio companies as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

As of December 31, 2015, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$74.8 million in fair value and approximately \$75.2 million in cost basis and which comprised approximately 4.2% of Main Street's Investment Portfolio at fair value. As of December 31, 2014, Main Street had Other Portfolio investments in six companies, collectively totaling approximately \$58.9 million in fair value and approximately \$56.2 million in cost basis and which comprised approximately 3.8% of Main Street's Investment Portfolio at fair value.

As discussed further in Note A.1., Main Street holds an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2015, there was no cost basis in this investment and the investment had a fair value of \$27.3 million, which comprised 1.5% of Main Street's Investment Portfolio at fair value. As of December 31, 2014, there was no cost basis in this investment and the investment had a fair value of \$15.6 million, which comprised 1.0% of Main Street's Investment Portfolio at fair value.

The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|------------------|------------------------------|------------------------------|
| First lien debt  | 75.8%                        | 75.7%                        |
| Equity           | 13.5%                        | 11.6%                        |
| Second lien debt | 8.7%                         | 10.0%                        |
| Equity warrants  | 0.9%                         | 1.5%                         |
| Other            | 1.1%                         | 1.2%                         |
|                  | 100.0%                       | 100.0%                       |

| <b>Fair Value:</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--------------------|------------------------------|------------------------------|
| First lien debt    | 66.1%                        | 66.9%                        |
| Equity             | 24.9%                        | 21.9%                        |
| Second lien debt   | 7.7%                         | 9.2%                         |
| Equity warrants    | 0.6%                         | 1.0%                         |
| Other              | 0.7%                         | 1.0%                         |
|                    | 100.0%                       | 100.0%                       |





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The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States and other countries at cost and fair value as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

| <b>Cost:</b>            | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-------------------------|------------------------------|------------------------------|
| Southwest               | 33.4%                        | 29.6%                        |
| Northeast               | 18.3%                        | 19.9%                        |
| Midwest                 | 16.7%                        | 13.5%                        |
| West                    | 14.6%                        | 18.7%                        |
| Southeast               | 13.5%                        | 15.4%                        |
| Canada                  | 2.2%                         | 0.7%                         |
| Other Non-United States | 1.3%                         | 2.2%                         |
|                         | 100.0%                       | 100.0%                       |

| <b>Fair Value:</b>      | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|-------------------------|------------------------------|------------------------------|
| Southwest               | 36.7%                        | 33.7%                        |
| Northeast               | 16.3%                        | 18.3%                        |
| West                    | 16.1%                        | 20.4%                        |
| Midwest                 | 15.1%                        | 12.7%                        |
| Southeast               | 12.6%                        | 12.4%                        |
| Canada                  | 2.0%                         | 0.6%                         |
| Other Non-United States | 1.2%                         | 1.9%                         |
|                         | 100.0%                       | 100.0%                       |

Main Street's LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by industry at cost and fair value as of

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015 and 2014 (this information excludes the Other Portfolio investments and the External Investment Manager).

| Cost:  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Hotels, Restaurants & Leisure                  | 7.9%                 | 5.6%                 |
| Energy Equipment & Services                    | 7.3%                 | 8.3%                 |
| Machinery                                      | 5.7%                 | 6.5%                 |
| Media  | 5.6%                 | 8.3%                 |
| IT Services                                    | 5.1%                 | 5.9%                 |
| Specialty Retail                               | 5.1%                 | 4.7%                 |
| Construction & Engineering                     | 4.6%                 | 5.3%                 |
| Software                                       | 4.5%                 | 5.4%                 |
| Electronic Equipment, Instruments & Components | 4.3%                 | 3.0%                 |
| Health Care Providers & Services               | 4.1%                 | 4.9%                 |
| Diversified Consumer Services                  | 3.7%                 | 2.9%                 |
| Commercial Services & Supplies                 | 3.3%                 | 1.0%                 |
| Internet Software & Services                   | 3.1%                 | 1.9%                 |
| Health Care Equipment & Supplies               | 3.1%                 | 2.1%                 |
| Diversified Telecommunication Services         | 2.9%                 | 4.0%                 |
| Auto Components                                | 2.7%                 | 2.3%                 |
| Food Products                                  | 2.4%                 | 1.8%                 |
| Diversified Financial Services                 | 2.3%                 | 1.0%                 |
| Oil, Gas & Consumable Fuels                    | 2.1%                 | 2.5%                 |
| Pharmaceuticals                                | 1.9%                 | 1.8%                 |
| Building Products                              | 1.9%                 | 1.1%                 |
| Professional Services                          | 1.9%                 | 1.1%                 |
| Road & Rail                                    | 1.6%                 | 1.8%                 |
| Leisure Equipment & Products                   | 1.1%                 | 0.5%                 |
| Air Freight & Logistics                        | 1.1%                 | 0.9%                 |
| Aerospace & Defense                            | 1.0%                 | 1.2%                 |
| Distributors                                   | 0.7%                 | 1.0%                 |
| Chemicals                                      | 0.6%                 | 1.3%                 |
| Textiles, Apparel & Luxury Goods               | 0.6%                 | 1.3%                 |
| Trading Companies & Distributors               | 0.0%                 | 1.2%                 |
| Other(1)                                       | 7.8%                 | 9.4%                 |
|  | 100.0%               | 100.0%               |

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| Fair Value:                                    | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Hotels, Restaurants & Leisure                  | 7.8%                 | 5.6%                 |
| Machinery                                      | 7.0%                 | 8.1%                 |
| Energy Equipment & Services                    | 6.0%                 | 7.9%                 |
| Specialty Retail                               | 6.0%                 | 4.9%                 |
| Software                                       | 5.9%                 | 5.5%                 |
| Diversified Consumer Services                  | 5.7%                 | 4.4%                 |
| Media  | 5.1%                 | 7.7%                 |
| Construction & Engineering                     | 5.1%                 | 5.5%                 |
| IT Services                                    | 4.6%                 | 5.4%                 |
| Electronic Equipment, Instruments & Components | 3.7%                 | 2.5%                 |
| Health Care Providers & Services               | 3.3%                 | 4.4%                 |
| Commercial Services & Supplies                 | 3.1%                 | 1.0%                 |
| Internet Software & Services                   | 2.9%                 | 2.3%                 |
| Health Care Equipment & Supplies               | 2.9%                 | 1.9%                 |
| Auto Components                                | 2.8%                 | 2.5%                 |
| Diversified Telecommunication Services         | 2.7%                 | 3.8%                 |
| Road & Rail                                    | 2.6%                 | 2.3%                 |
| Diversified Financial Services                 | 2.2%                 | 1.0%                 |
| Food Products                                  | 2.1%                 | 1.6%                 |
| Pharmaceuticals                                | 1.7%                 | 1.7%                 |
| Professional Services                          | 1.7%                 | 1.0%                 |
| Building Products                              | 1.6%                 | 0.9%                 |
| Air Freight & Logistics                        | 1.3%                 | 0.8%                 |
| Oil, Gas & Consumable Fuels                    | 1.2%                 | 1.9%                 |
| Leisure Equipment & Products                   | 1.1%                 | 0.4%                 |
| Aerospace & Defense                            | 0.9%                 | 1.1%                 |
| Distributors                                   | 0.6%                 | 1.0%                 |
| Chemicals                                      | 0.6%                 | 1.2%                 |
| Paper & Forest Products                        | 0.6%                 | 1.2%                 |
| Textiles, Apparel & Luxury Goods               | 0.4%                 | 1.2%                 |
| Trading Companies & Distributors               | 0.0%                 | 1.1%                 |
| Other(1)                                       | 6.8%                 | 8.2%                 |
|  | 100.0%               | 100.0%               |

(1)

Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

At December 31, 2015 and 2014, Main Street had no portfolio investment that was greater than 10% of the Investment Portfolio at fair value.

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

Main Street's investments are generally in small and mid-sized companies in a variety of industries. In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, Main Street must determine which of its unconsolidated controlled portfolio companies are considered "significant subsidiaries", if any. In evaluating these investments, there are three tests utilized to determine if any of Main Street's Control Investments (as defined in Note A, including those 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) are considered significant subsidiaries (including portfolio companies): the investment test, the asset test and the income test. Rule 3-09 of Regulation S-X, as interpreted by the SEC, requires Main Street to include separate audited financial statements of an unconsolidated majority-owned subsidiary (including portfolio companies in which Main Street owns greater than 50% of the voting securities) in an annual report if any of the three tests exceed 20% of Main Street's total investments at fair value, total assets or total income, respectively. Rule 4-08(g) of Regulation S-X requires summarized financial information of an unconsolidated subsidiary (including portfolio companies) in an annual report if any of the three tests exceeds 10% of Main Street's total amounts and summarized financial information in a quarterly report if any of the three tests exceeds 20% of Main Street's total amounts.

As of December 31, 2015, Main Street had no single investment that represented greater than 10% of its total Investment Portfolio at fair value and no single investment whose total assets represented greater than 10% of its total assets. After performing the income test for the year ended December 31, 2015, excluding investments which were fully exited after December 31, 2015, Main Street determined that its income from two of its Control Investments individually generated more than 10% of its total income, primarily due to the unrealized appreciation that was recognized on the investments during the year ended December 31, 2015. As such, the wholly owned External Investment Manager was considered a significant subsidiary at the 10% level as of December 31, 2015 (see further discussion and summarized financial information in Note D). Additionally, CBT Nuggets, LLC, an unconsolidated portfolio company that was a Control Investment, but which was not majority-owned by Main Street, was also considered a significant subsidiary at the 10% level as of December 31, 2015.

The following table shows the summarized financial information for CBT Nuggets, LLC:

|   | 2015                   | 2014      |           |  |  |
|---|------------------------|-----------|-----------|--|--|
|   | (dollars in thousands) |           |           |  |  |
| <b>Balance Sheet Data</b>                   |                        |           |           |  |  |
| Current Assets                              | \$ 4,499               | \$ 4,958  |           |  |  |
| Noncurrent Assets                           | 16,749                 | 14,102    |           |  |  |
| Current Liabilities                         | 15,490                 | 12,912    |           |  |  |
| Noncurrent Liabilities                      |                        |           |           |  |  |
| <b>Twelve Months Ended<br/>December 31,</b> |                        |           |           |  |  |
|   | 2015                   | 2014      | 2013      |  |  |
|   | (dollars in thousands) |           |           |  |  |
| <b>Summary of Operations</b>                |                        |           |           |  |  |
| Total Revenue                               | \$ 33,924              | \$ 25,645 | \$ 18,071 |  |  |
| Gross Profit                                | 29,352                 | 21,196    | 14,453    |  |  |
| Income from Operations                      | 12,099                 | 8,687     | 5,132     |  |  |
| Net Income                                  | 12,343                 | 10,100    | 5,134     |  |  |
|   |                        |           | 160       |  |  |

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE D EXTERNAL INVESTMENT MANAGER**

As discussed further in Note A.1., the External Investment Manager provides investment management and other services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC since the External Investment Manager conducts all of its investment management activities for External Parties.

During May 2012, Main Street entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC whose registration statement on Form N-2 was declared effective by the SEC in June 2012, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow it to own a registered investment adviser, Main Street assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. Based upon several fee waiver agreements with HMS Income and HMS Adviser, the External Investment Manager did not begin accruing the base management fee and incentive fees, if any, until January 1, 2014. Beginning January 1, 2015, the External Investment Manager conditionally agreed to waive a limited amount of the base management fee and incentive fees otherwise earned during the year ended December 31, 2015. During the years ended December 31, 2015 and 2014, the External Investment Manager earned \$7.8 million and \$2.8 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

The investment in the External Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street's Board of Directors. Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the market approach (see further discussion in Note B.1.). Any change in fair value of the investment in the External Investment Manager is recognized on Main Street's consolidated statement of operations in "Net Change in Unrealized Appreciation (Depreciation) Portfolio investments".

The External Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The External Investment Manager has elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the "source-income" requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the External Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. The External Investment Manager provides for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements.

Main Street provides services to the External Investment Manager and charges the expenses necessary to perform these services to the External Investment Manager generally based on a combination of the direct time spent, new investment origination activity and assets under management, depending on the nature of the expense. For the years ended December 31, 2015 and 2014, Main Street charged \$4.3 million and \$2.0 million of total expenses, respectively, to the External Investment Manager. The total contribution of the External Investment Manager to Main Street's net investment income consists of the combination of the expenses charged to the External Investment Manager and dividend income from the External Investment Manager. For the years ended December 31, 2015 and 2014, the total contribution to Main Street's net investment income was \$6.5 million and \$2.5 million, respectively.

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

Summarized financial information from the separate financial statements of the External Investment Manager as of December 31, 2015 and 2014 and for the year ended December 31, 2014 is as follows:

|   | As of<br>December 31,  |                 |
|---|------------------------|-----------------|
|   | 2015                   | 2014            |
|   | (dollars in thousands) |                 |
| Cash  | \$ 31                  | \$ 130          |
| Accounts receivable HMS Income                | 2,262                  | 1,120           |
| <b>Total assets</b>                           | <b>\$ 2,293</b>        | <b>\$ 1,250</b> |
| Accounts payable to MSCC and its subsidiaries | \$ 1,333               | \$ 699          |
| Dividend payable to MSCC                      | 677                    | 253             |
| Taxes payable                                 | 283                    | 298             |
| <b>Equity</b>                                 |                        |                 |
| <b>Total liabilities and equity</b>           | <b>\$ 2,293</b>        | <b>\$ 1,250</b> |

|  | Twelve Months<br>Ended December 31, |                |
|--|-------------------------------------|----------------|
|  | 2015                                | 2014           |
|  | (dollars in thousands)              |                |
| Management fee income  | \$ 7,767                            | \$ 2,795       |
| Expenses allocated from MSCC or its subsidiaries:            |                                     |                |
| Salaries, share-based compensation and other personnel costs | (3,005)                             | (1,479)        |
| Other G&A expenses   | (1,330)                             | (569)          |
| <b>Total allocated expenses</b>                              | <b>(4,335)</b>                      | <b>(2,048)</b> |
| Other direct G&A expenses                                    |                                     | (2)            |
| <b>Total expenses</b>  | <b>(4,335)</b>                      | <b>(2,050)</b> |
| Pre-tax income   | 3,432                               | 745            |
| Tax expense  | (1,235)                             | (298)          |
| <b>Net income</b>  | <b>\$ 2,197</b>                     | <b>\$ 447</b>  |

**NOTE E DEFERRED FINANCING COSTS**

Deferred financing costs balances as of December 31, 2015 and 2014 are as follows (amounts in thousands):

| As of December 31, |      |
|--------------------|------|
| 2015               | 2014 |

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|                                      |    |         |    |         |
|--------------------------------------|----|---------|----|---------|
| Credit Facility Fees                 | \$ | 8,467   | \$ | 7,208   |
| SBIC debenture leverage fees         |    | 5,000   |    | 5,000   |
| 4.50% Notes                          |    | 3,668   |    | 3,668   |
| 6.125% Notes                         |    | 3,049   |    | 3,088   |
| SBIC debenture commitment fees       |    | 2,048   |    | 2,048   |
| Subtotal                             |    | 22,232  |    | 21,012  |
| Accumulated amortization             |    | (8,965) |    | (6,462) |
| Net deferred financing costs balance | \$ | 13,267  | \$ | 14,550  |

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

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2015 and thereafter is as follows (amounts in thousands):

| <b>Years Ended December 31,</b> | <b>Estimated<br/>Amortization</b> |
|---------------------------------|-----------------------------------|
| 2016                            | \$ 2,569                          |
| 2017                            | \$ 2,569                          |
| 2018                            | \$ 2,569                          |
| 2019                            | \$ 2,506                          |
| 2020                            | \$ 1,532                          |
| 2021 and thereafter             | \$ 1,522                          |

**NOTE F SBIC DEBENTURES**

SBIC debentures payable were \$225.0 million at both December 31, 2015 and 2014. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. The weighted-average annual interest rate on the SBIC debentures was 4.2% as of both December 31, 2015 and 2014. The first principal maturity due under the existing SBIC debentures is in 2017, and the remaining weighted-average duration as of December 31, 2015 was approximately 5.6 years. For the years ended December 31, 2015, 2014 and 2013, Main Street recognized interest expense attributable to the SBIC debentures of \$9.9 million, \$9.5 million and \$10.3 million, respectively. Main Street has incurred upfront leverage and other miscellaneous fees of approximately 3.4% of the debenture principal amount. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of December 31, 2015, the recorded value of the SBIC debentures was \$223.7 million which consisted of (i) \$73.9 million recorded at fair value, or \$1.3 million less than the \$75.2 million face value of the SBIC debentures held in MSC II, and (ii) \$149.8 million reported at face value and held in MSMF. As of December 31, 2015, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately \$211.8 million, or \$13.2 million less than the \$225.0 million face value of the SBIC debentures.



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

The maturity dates and fixed interest rates for Main Street's SBIC Debentures as of December 31, 2015 and 2014 are summarized in the following table:

| <b>Maturity Date</b>  | <b>Fixed Interest Rate</b> | <b>December 31, 2015</b> | <b>December 31, 2014</b> |
|-----------------------|----------------------------|--------------------------|--------------------------|
| 9/1/2017              | 6.43%                      | 15,000,000               | 15,000,000               |
| 3/1/2018              | 6.38%                      | 10,200,000               | 10,200,000               |
| 9/1/2019              | 4.95%                      | 20,000,000               | 20,000,000               |
| 3/1/2020              | 4.51%                      | 10,000,000               | 10,000,000               |
| 9/1/2020              | 3.50%                      | 35,000,000               | 35,000,000               |
| 9/1/2020              | 3.93%                      | 10,000,000               | 10,000,000               |
| 3/1/2021              | 4.37%                      | 10,000,000               | 10,000,000               |
| 3/1/2021              | 4.60%                      | 20,000,000               | 20,000,000               |
| 9/1/2021              | 3.39%                      | 10,000,000               | 10,000,000               |
| 9/1/2022              | 2.53%                      | 5,000,000                | 5,000,000                |
| 3/1/2023              | 3.16%                      | 16,000,000               | 16,000,000               |
| 3/1/2024              | 3.95%                      | 8,000,000                | 8,000,000                |
| 3/1/2024              | 3.95%                      | 12,000,000               | 12,000,000               |
| 3/1/2024              | 3.95%                      | 11,400,000               | 11,400,000               |
| 3/1/2024              | 3.95%                      | 7,600,000                | 7,600,000                |
| 3/1/2024              | 3.55%                      | 24,800,000               | 24,800,000               |
| <b>Ending Balance</b> |                            | <b>225,000,000</b>       | <b>225,000,000</b>       |

**NOTE G CREDIT FACILITY**

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility provides for commitments from a diversified group of fourteen lenders and was amended during 2015 to change the total commitments to \$555.0 million, increase the accordion feature of the Credit Facility from \$650.0 million to \$750.0 million, increase the amount of unsecured debt Main Street is permitted to incur, providing us additional financial flexibility in our capital structure, decrease the interest rate to the rates described below and to extend the maturity one year to September 2020. The accordion feature allows Main Street to increase the total commitments under the facility from new and 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 at a rate equal to the applicable LIBOR rate (0.24%) as of December 31, 2015) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.50% as of December 31, 2015) plus 0.875%), as long as Main Street maintains an investment grade rating and meets certain agreed upon excess collateral and maximum leverage requirements, (ii) 2.0% (or the applicable base rate plus 1.0%) if Main Street maintains an investment grade rating but does not meet certain excess collateral and maximum leverage requirements or (iii) 2.25% (or the applicable base rate plus 1.25%) if Main Street does not maintain an investment grade rating. Main Street pays unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0, and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2020, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval.

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

At December 31, 2015, Main Street had \$291.0 million in borrowings outstanding under the Credit Facility. As of December 31, 2015, if Main Street had adopted the fair value option under ASC 825 for its Credit Facility, Main Street estimates its fair value would approximate its recorded value. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of \$7.7 million, \$6.9 million and \$5.6 million, respectively, for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, the interest rate on the Credit Facility was 2.1%. The average interest rate for the year ended December 31, 2015 was 2.2%. Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE H NOTES****6.125% Notes**

In April 2013, Main Street issued \$92.0 million, including the underwriters full exercise of their option to purchase additional principal amounts to cover over-allotments, in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). The 6.125% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street's option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. The total net proceeds to Main Street from the 6.125% Notes, after underwriting discounts and estimated offering expenses payable by Main Street, were approximately \$89.0 million. Main Street has listed the 6.125% Notes on the New York Stock Exchange under the trading symbol "MSCA". Main Street may from time to time repurchase the 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2015, the outstanding balance of the 6.125% Notes was \$90.7 million. As of December 31, 2015, if Main Street had adopted the fair value option under ASC 825 for the 6.125% Notes, Main Street estimates the fair value would be approximately \$91.7 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$5.9 million, \$5.9 million and \$4.4 million for each of the years ended December 31, 2015, 2014 and 2013, respectively.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 6.125% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture.

**4.50% Notes**

In November 2014, Main Street issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes") at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and

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**MAIN STREET CAPITAL CORPORATION**

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

future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at Main Street's option subject to certain make whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year. The total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable by us, were approximately \$171.2 million. Main Street may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2015, the outstanding balance of the 4.50% Notes was \$175.0 million. As of December 31, 2015, if Main Street had adopted the fair value option under ASC 825 for the 4.50% Notes, Main Street estimates its fair value would be approximately \$179.1 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$8.6 million and \$1.3 million for the years ended December 31, 2015 and 2014, respectively.

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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE I FINANCIAL HIGHLIGHTS

| Per Share Data:   | Twelve Months Ended December 31, |            |            |            |            |
|---|----------------------------------|------------|------------|------------|------------|
|   | 2015                             | 2014       | 2013       | 2012       | 2011       |
| NAV at the beginning of the period  | \$ 20.85                         | \$ 19.89   | \$ 18.59   | \$ 15.19   | \$ 13.06   |
| Net investment income(1)(3)   | 2.18                             | 2.20       | 2.06       | 2.01       | 1.69       |
| Net realized gain (loss)(1)(2)(3)   | (0.43)                           | 0.53       | 0.07       | 0.55       | 0.11       |
| Net change in net unrealized appreciation(1)(2)(3)  | 0.20                             | (0.27)     | 0.52       | 1.34       | 1.23       |
| Income tax benefit (provision)(1)(2)(3)   | 0.18                             | (0.15)     |            | (0.37)     | (0.27)     |
| Net increase in net assets resulting from operations(1)(3)  | 2.13                             | 2.31       | 2.65       | 3.53       | 2.76       |
| Dividends paid to stockholders from net investment income   | (2.49)                           | (2.17)     | (2.29)     | (1.17)     | (1.46)     |
| Distributions from capital gains  | (0.16)                           | (0.38)     | (0.37)     | (0.54)     | (0.10)     |
| Total dividends paid  | (2.65)                           | (2.55)     | (2.66)     | (1.71)     | (1.56)     |
| Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period | (0.01)                           | (0.01)     | (0.02)     | (0.02)     | (0.14)     |
| Accretive effect of public stock offerings (issuing shares above NAV per share)   | 0.74                             | 1.07       | 1.13       | 1.33       | 0.74       |
| Accretive effect of DRIP issuance (issuing shares above NAV per share)  | 0.12                             | 0.12       | 0.13       | 0.07       | 0.05       |
| Other(4)  | 0.06                             | 0.02       | 0.07       | 0.20       | 0.28       |
| NAV at the end of the period  | \$ 21.24                         | \$ 20.85   | \$ 19.89   | \$ 18.59   | \$ 15.19   |
| Market value at the end of the period   | \$ 29.08                         | \$ 29.24   | \$ 32.69   | \$ 30.51   | \$ 21.24   |
| Shares outstanding at the end of the period   | 50,413,744                       | 45,079,150 | 39,852,604 | 34,589,484 | 26,714,384 |

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

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

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

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

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

|   | Twelve Months Ended December 31, |            |            |            |            |
|---|----------------------------------|------------|------------|------------|------------|
|   | 2015                             | 2014       | 2013       | 2012       | 2011       |
|   | (dollars in thousands)           |            |            |            |            |
| NAV at end of period  | \$ 1,070,894                     | \$ 939,982 | \$ 792,533 | \$ 642,976 | \$ 405,711 |
| Average NAV   | \$ 1,055,313                     | \$ 885,568 | \$ 706,056 | \$ 512,156 | \$ 327,386 |
| Average outstanding debt  | \$ 759,396                       | \$ 575,524 | \$ 444,331 | \$ 322,154 | \$ 277,692 |
| Ratio of total expenses, including income tax expense, to average NAV (1)(2)  | 4.63%                            | 5.82%      | 5.82%      | 8.18%      | 9.82%      |
| Ratio of operating expenses to average NAV(1)(3)                              | 5.45%                            | 5.11%      | 5.82%      | 6.07%      | 7.96%      |
| Ratio of operating expenses, excluding interest expense, to average NAV(1)(3) | 2.41%                            | 2.44%      | 2.95%      | 3.03%      | 4.01%      |
| Ratio of net investment income to average NAV(1)                              | 10.15%                           | 10.79%     | 10.68%     | 11.57%     | 11.76%     |
| Portfolio turnover ratio  | 25.37%                           | 35.71%     | 36.10%     | 56.22%     | 30.82%     |
| Total investment return(4)  | 8.49%                            | 3.09%      | 16.68%     | 53.60%     | 26.95%     |
| Total return based on change in NAV(5)  | 11.11%                           | 12.71%     | 15.06%     | 25.73%     | 25.64%     |

- (1) Ratios are net of the amounts attributable to the noncontrolling equity interests in MSC II for the periods prior to the completion of the acquisition of MSC II during the first quarter of 2012.
- (2) Total expenses are the sum of operating expenses and net income tax provision/benefit. Net income tax provision/benefit includes the accrual of net deferred tax provision/benefit relating to the net unrealized appreciation/depreciation on portfolio investments held in Taxable Subsidiaries and due to the change in net operating loss carryforwards, which are non-cash in nature and may vary significantly from period to period. Main Street is required to include net deferred tax provision/benefit in calculating its total expenses even though these net deferred taxes are not currently payable/receivable.
- (3) Operating expenses include compensation, general and administrative and share-based compensation expenses, net of expenses charged to the External Investment Manager.
- (4) Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by Main Street's dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.
- (5) Total return based on change in net asset value was calculated using the sum of ending net asset value plus dividends to stockholders and other non-operating changes during the period, as divided by the beginning net asset value.

**NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

During 2015, Main Street paid supplemental dividends of \$0.275 per share in each of June and December 2015, regular monthly dividends of \$0.170 per share for each month of January through March 2015, regular monthly dividends of \$0.175 per share for each month of April through September 2015, and regular monthly dividends of \$0.180 per share for each month of October through December 2015, with such dividends totaling \$130.0 million, or \$2.650 per share. The 2015 regular monthly dividends, which total \$102.4 million, or \$2.10 per share, represent a 5.3% increase from the monthly dividends paid per share for the year ended 2014. For tax purposes, the 2015 dividends, which included the effects of accrued dividends, total \$2.66 per share and were comprised of (i) ordinary income totaling approximately \$2.325 per share, (ii) long term capital gain totaling approximately \$0.231 per share, and (iii) qualified dividend income totaling approximately \$0.105 per share. As of December 31, 2015, Main Street estimates that it has generated undistributed taxable income of approximately \$38.8 million, or \$0.77 per share, that will be carried forward toward distributions to be paid in 2016. For the years ended December 31, 2014 and 2013,



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

Main Street paid total monthly dividends of approximately \$110.9 million, or \$2.545 per share, and \$96.8 million, or \$2.66 per share, respectively.

Ordinary dividend distributions from a RIC do not qualify for the reduced maximum tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for dividends will generally include both ordinary income and capital gains but may also include qualified dividends or return of capital. The tax character of distributions paid for the years ended December 31, 2015, 2014 and 2013 was as follows:

|  | <b>Twelve Months Ended December 31,</b> |             |             |
|--|---|-------------|-------------|
|  | <b>2015</b>                             | <b>2014</b> | <b>2013</b> |
|  | <b>(dollars in thousands)</b>           |             |             |
| Ordinary income(1)                       | \$ 114,975                              | \$ 91,369   | \$ 68,630   |
| Qualified dividends                      | 5,179                                   | 2,106       | 17,058      |
| Distributions of long term capital gains | 11,285                                  | 18,502      | 12,507      |
| Distributions on tax basis               | \$ 131,439                              | \$ 111,977  | \$ 98,195   |

- 
- (1) The years ended December 31, 2015 and 2014 include \$1.5 million and \$1.2 million, respectively, that was reported as compensation for services for tax purposes in accordance with Section 83 of the Code.

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S Federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S federal income tax return for the applicable fiscal year or (ii) fifteenth day of the ninth month following the close of the year which generated such taxable income.

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

Listed below is a reconciliation of "Net increase in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2015, 2014 and 2013.

|  | <b>Twelve Months Ended December 31,</b>  |             |             |
|--|--|-------------|-------------|
|  | <b>2015</b>                              | <b>2014</b> | <b>2013</b> |
|  | <b>(estimated, dollars in thousands)</b> |             |             |
| Net increase in net assets resulting from operations   | \$ 104,437                               | \$ 100,748  | \$ 96,855   |
| Book tax difference share-based compensation expense   | 1,006                                    | 4,215       | 4,210       |
| Net change in net unrealized appreciation  | (9,992)                                  | 11,707      | (18,895)    |
| Income tax provision (benefit)   | (8,687)                                  | 6,287       | (35)        |
| Pre-tax book (income) loss not consolidated for tax purposes   | 32,323                                   | (7,721)     | (437)       |
| Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates | 3,397                                    | (1,667)     | 9,128       |
| Estimated taxable income(1)  | 122,484                                  | 113,569     | 90,826      |
| Taxable income earned in prior year and carried forward for distribution in current year   | 38,638                                   | 37,046      | 44,415      |
| Taxable income earned prior to period end and carried forward for distribution next period   | (38,757)                                 | (46,301)    | (43,622)    |
| Dividend payable as of period end and paid in the following period   | 9,074                                    | 7,663       | 6,576       |
| Total distributions accrued or paid to common stockholders   | \$ 131,439                               | \$ 111,977  | \$ 98,195   |

(1)

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

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

As noted above, beginning April 1, 2013, MSCC's wholly owned subsidiary MSCP is included in Main Street's consolidated financial statements for financing reporting purposes. For tax purposes, MSCP has elected to be treated as a taxable entity, and therefore is not consolidated with MSCC for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The taxable income, or loss, of MSCP may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries and the MSCP, if any, are reflected in Main Street's consolidated statement of operations. Main





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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Street's provision for income taxes was comprised of the following for the years ended December 31, 2015, 2014 and 2013 (amounts in thousands):

|                                      | Twelve Months Ended<br>December 31, |          |          |
|--------------------------------------|-------------------------------------|----------|----------|
|                                      | 2015                                | 2014     | 2013     |
| Current tax expense:                 |                                     |          |          |
| Federal                              | \$ 607                              | \$ 734   | \$ 1,153 |
| State                                | 1,181                               | 847      | 591      |
| Total current tax expense            | 1,788                               | 1,581    | 1,744    |
| Deferred tax expense (benefit):      |                                     |          |          |
| Federal                              | (10,781)                            | 2,515    | (2,822)  |
| State                                | (870)                               | 759      | (769)    |
| Total deferred tax expense (benefit) | (11,651)                            | 3,274    | (3,591)  |
| Excise tax                           | 1,176                               | 1,432    | 1,812    |
| Total income tax provision (benefit) | \$ (8,687)                          | \$ 6,287 | \$ (35)  |

As of December 31, 2015, the cost of investments for U.S. federal income tax purposes was \$1,663.8 million, with such investments having a gross unrealized appreciation of \$283.9 million and gross unrealized depreciation of \$144.0 million.

The net deferred tax asset at December 31, 2015 was \$4.0 million compared to a net deferred tax liability of \$9.2 million as of December 31, 2014, which was primarily related to net loss carryforwards (primarily resulting from historical realized losses on portfolio investments held by the Taxable Subsidiaries), offset by net unrealized appreciation of portfolio investments held by the Taxable Subsidiaries, basis differences of portfolio investments held by the Taxable Subsidiaries which are "pass-through" entities for tax purposes and excess deductions resulting from the restricted stock plans (see further discussion in Note M). As of December 31, 2015, the Taxable Subsidiaries had a capital loss carryforward of \$8.0 million. For U.S. federal income tax purposes, the capital loss carryforward will expire in 2020. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

In accordance with the realization requirements of ASC 718, *Compensation - Stock Compensation*, Main Street uses tax law ordering when determining when tax benefits related to equity compensation greater than equity compensation recognized for financial reporting should be realized. For the years ended December 31, 2015 Main Street recognized no increase in paid-in-capital due to tax deductions related to equity compensation greater than equity compensation recognized for financial reporting compared to a \$1.0 million increase for the period ended December 31, 2014. Paid-in capital increases of \$1.8 million will be recognized in future periods when such tax benefits are ultimately realized by reducing taxes payable.

Management believes that the realization of the deferred tax assets is more likely than not based on expectations as to future taxable income and scheduled reversals of temporary differences. Accordingly, Main Street did not record a valuation allowance related to its deferred tax assets at December 31, 2015 and 2014.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2015 and 2014 (amounts in thousands):

|  | Years Ended<br>December 31, |                   |
|--|-----------------------------|-------------------|
|  | 2015                        | 2014              |
| <b>Deferred tax assets:</b>                          |                             |                   |
| Net operating loss carryforwards                     | \$ 23,508                   | \$ 11,066         |
| Net basis differences in portfolio investments       |                             | 657               |
| Other  | 2,423                       |                   |
| <b>Total deferred tax assets</b>                     | <b>25,931</b>               | <b>11,723</b>     |
| <b>Deferred tax liabilities:</b>                     |                             |                   |
| Net unrealized appreciation of portfolio investments | (19,482)                    | (20,820)          |
| Net basis differences in portfolio investments       | (2,446)                     |                   |
| Other  |                             | (117)             |
| <b>Total deferred tax liabilities</b>                | <b>(21,928)</b>             | <b>(20,937)</b>   |
| <b>Total net deferred tax assets (liabilities)</b>   | <b>\$ 4,003</b>             | <b>\$ (9,214)</b> |

For U.S. federal income tax purposes, the net loss carryforwards expire in various years from 2029 through 2035. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

**NOTE K COMMON STOCK**

During November 2015, Main Street entered into a program (the "ATM Program") with underwriters through which it could sell, by means of at-the-market offerings from time to time, up to 1,000,000 shares of our common stock. During the fourth quarter of 2015, Main Street sold 140,568 shares of our common stock at a weighted-average price of \$31.98 per share and raised \$4.5 million of gross proceeds under the ATM Program. Net proceeds were \$4.3 million after commissions to the underwriter on shares sold and offering costs. As of December 31, 2015, 859,432 shares were available for sale under the ATM Program.

During March 2015, Main Street completed a follow-on public equity offering of 4,370,000 shares of common stock, including the underwriters' full exercise of their option to purchase 570,000 additional shares, resulting in total net proceeds, including exercise of the underwriters' option to purchase additional shares and after deducting underwriting discounts and estimated offering expenses payable by Main Street, of approximately \$127.8 million.

During April 2014, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, resulting in total net proceeds, including exercise of the underwriters' option to purchase additional shares and after deducting underwriting discounts and estimated offering expenses payable by Main Street, of approximately \$139.7 million.

During August 2013, Main Street completed a follow-on public equity offering of 4,600,000 shares of common stock, including the underwriters' full exercise of their option to purchase 600,000 additional shares, at a price to the public of \$29.75 per share, resulting in total net proceeds, including exercise of the underwriters' option to purchase additional shares and after deducting underwriting discounts and estimated offering expenses payable by Main Street, of approximately \$131.5 million.



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE L DIVIDEND REINVESTMENT PLAN ("DRIP")**

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

For the year ended December 31, 2015, \$19.4 million of the total \$130.0 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 636,079 newly issued shares and with the purchase of 3,131 shares of common stock in the open market. For the year ended December 31, 2014, \$17.4 million of the total \$110.9 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 468,417 newly issued shares and with the purchase of 85,754 shares of common stock in the open market. For the year ended December 31, 2013, \$17.5 million of the total \$96.8 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 433,218 newly issued shares and with the purchase of 134,659 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE M SHARE-BASED COMPENSATION**

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

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2015 Equity and Incentive Plan. These shares generally vest over a three-year period from the grant date. The fair value is expensed over the service period, starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors under the 2015 Equity and Incentive Plan, net of shares forfeited, and the remaining shares of restricted stock available for issuance as of December 31, 2015.

|   |               |
|---|---------------|
| Restricted stock authorized under the plan                          | 3,000,000     |
| Less net restricted stock granted during:                           |               |
| Year ended December 31, 2015  | (900)         |
| <br>Restricted stock available for issuance as of December 31, 2015 | <br>2,999,100 |

(1)  
Shares indicated are net of forfeited shares

As of December 31, 2015, the following table summarizes the restricted stock issued to Main Street's independent directors and the remaining shares of restricted stock available for issuance pursuant to the Main



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

Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan. These shares are granted upon appointment or election to the board and vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over such service period.

|   |         |
|---|---------|
| Restricted stock authorized under the plan                      | 300,000 |
| Less net restricted stock granted during:                       |         |
| Year ended December 31, 2015                                    | (6,806) |
| Restricted stock available for issuance as of December 31, 2015 | 293,194 |

For the years ended December 31, 2015, 2014 and 2013, Main Street recognized total share-based compensation expense of \$6.3 million, \$4.2 million and \$4.2 million, respectively, related to the restricted stock issued to Main Street employees and independent directors. As of December 31, 2015, there was \$12.2 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 2.1 years as of December 31, 2015.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE N COMMITMENTS AND CONTINGENCIES

At December 31, 2015, Main Street had the following outstanding firm commitments (in thousands):

|  | Amount    |
|--|-----------|
| <i>Investments with equity capital commitments that have not yet funded:</i>   |           |
| <i>Encap Energy Fund Investments</i>   |           |
| EnCap Energy Capital Fund VIII, L.P.   | \$ 967    |
| EnCap Energy Capital Fund VIII Co-Investors, L.P.  | 193       |
| EnCap Energy Capital Fund IX, L.P.   | 1,925     |
| EnCap Energy Capital Fund X, L.P.  | 9,308     |
| EnCap Flatrock Midstream Fund II, L.P.   | 7,442     |
| EnCap Flatrock Midstream Fund III, L.P.  | 7,036     |
|  | \$ 26,871 |
| <i>Congruent Credit Opportunities Funds</i>  |           |
| Congruent Credit Opportunities Fund II, LP   | \$ 8,488  |
| Congruent Credit Opportunities Fund III, LP  | 17,980    |
|  | \$ 26,468 |
| <i>Freeport Fund Investments</i>   |           |
| Freeport First Lien Loan Fund III LP   | \$ 10,423 |
| Freeport Financial SBIC Fund LP  | 1,375     |
|  | \$ 11,798 |
| I-45 SLF LLC   | \$ 9,800  |
| <i>Dos Rios Partners</i>   |           |
| Dos Rios Partners, LP  | \$ 4,486  |
| Dos Rios Partners A, LP  | 1,424     |
|  | \$ 5,910  |
| EIG Traverse Co-Investment, L.P.   | \$ 5,245  |
| EIG Fund Investments   | \$ 4,283  |
| Brightwood Capital Fund III, LP  | \$ 3,750  |
| LKCM Headwater Investments I, L.P.   | \$ 2,500  |
| Total equity commitments   | \$ 96,625 |
| <i>Investments with commitments to fund revolving loans that have not been fully drawn or term loans with additional commitments not yet funded:</i> |           |
| Volusion, LLC  | \$ 7,000  |
| Barfly Ventures, LLC   | 4,594     |
| PT Network, LLC  | 3,033     |
| Apex Linen Service, Inc.   | 2,997     |
| Buca C, LLC  | 2,670     |
| Hojiej Branded Foods, LLC  | 2,143     |
| Applied Products, Inc.   | 2,000     |
| Mid-Columbia Lumber Products, LLC  | 2,000     |
| Minute Key, Inc.   | 2,000     |
| Glowpoint, Inc.  | 1,600     |



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|   |            |
|---|------------|
| Datacom, LLC                                    | 1,800      |
| LaMi Products, LLC                              | 1,521      |
| Guerdon Modular Holdings, Inc.                  | 1,600      |
| IDX Broker, LLC                                 | 1,500      |
| Subsea Global Solutions, LLC                    | 1,078      |
| Messenger, LLC                                  | 1,417      |
| Arcus Hunting LLC                               | 2,393      |
| Ceres Management, LLC (Lambs Tire & Automotive) | 1,000      |
| AccuMED, Corp.                                  | 875        |
| HW Temps LLC                                    | 800        |
| Mystic Logistics, Inc.                          | 800        |
| Jackmont Hospitality, Inc.                      | 667        |
| Vision Interests, Inc.                          | 524        |
| Insurance Technologies, LLC                     | 522        |
| Jensen Jewelers of Idaho, LLC                   | 500        |
| UniTek Global Services, Inc.                    | 483        |
| Brainworks Software, LLC                        | 111        |
| Total loan commitments                          | \$ 47,628  |
| Total commitments                               | \$ 144,253 |

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

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

**NOTE O SELECTED QUARTERLY DATA (UNAUDITED)**

|  | <b>2015</b><br>(dollars in thousands,<br>except per share amounts) |           |           |           |
|--|--|-----------|-----------|-----------|
|  | Qtr. 1   | Qtr. 2    | Qtr. 3    | Qtr. 4    |
| Total investment income  | \$ 37,179  | \$ 41,308 | \$ 42,608 | \$ 43,493 |
| Net investment income  | \$ 23,491  | \$ 27,201 | \$ 27,861 | \$ 28,520 |
| Net increase in net assets resulting from operations                             | \$ 35,424  | \$ 40,802 | \$ 20,668 | \$ 7,543  |
| Net investment income per share-basic and diluted                                | \$ 0.51  | \$ 0.55   | \$ 0.56   | \$ 0.57   |
| Net increase in net assets resulting from operations per share-basic and diluted | \$ 0.77  | \$ 0.82   | \$ 0.41   | \$ 0.15   |

|  | <b>2014</b><br>(dollars in thousands,<br>except per share amounts) |           |           |           |
|--|--|-----------|-----------|-----------|
|  | Qtr. 1   | Qtr. 2    | Qtr. 3    | Qtr. 4    |
| Total investment income  | \$ 30,776  | \$ 34,877 | \$ 36,351 | \$ 38,759 |
| Net investment income  | \$ 20,739  | \$ 23,578 | \$ 24,887 | \$ 26,332 |
| Net increase in net assets resulting from operations                             | \$ 27,234  | \$ 29,950 | \$ 21,569 | \$ 21,995 |
| Net investment income per share-basic and diluted                                | \$ 0.52  | \$ 0.53   | \$ 0.55   | \$ 0.59   |
| Net increase in net assets resulting from operations per share-basic and diluted | \$ 0.68  | \$ 0.68   | \$ 0.48   | \$ 0.49   |

|  | <b>2013</b><br>(dollars in thousands,<br>except per share amounts) |           |           |           |
|--|--|-----------|-----------|-----------|
|  | Qtr. 1   | Qtr. 2    | Qtr. 3    | Qtr. 4    |
| Total investment income  | \$ 25,644  | \$ 27,800 | \$ 29,659 | \$ 33,394 |
| Net investment income  | \$ 17,283  | \$ 17,833 | \$ 17,477 | \$ 22,830 |
| Net increase in net assets resulting from operations                         | \$ 23,629  | \$ 24,004 | \$ 28,054 | \$ 21,168 |
| Net investment income per share-basic and diluted                            | \$ 0.50  | \$ 0.51   | \$ 0.47   | \$ 0.57   |
| Net increase in net assets resulting from operations share-basic and diluted | \$ 0.68  | \$ 0.69   | \$ 0.76   | \$ 0.53   |

**NOTE P RELATED PARTY TRANSACTIONS**

As discussed further in Note D, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of Main Street's Investment Portfolio. At December 31, 2015, Main Street had a receivable of \$2.0 million due from the External Investment Manager which included approximately \$1.3 million related primarily to operating expenses incurred by MSCC or its subsidiaries as

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**MAIN STREET CAPITAL CORPORATION**

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

required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.7 million.

In June 2013, our board of directors approved and adopted the Deferred Compensation Plan for Non-Employee Directors (the "2013 Deferred Compensation Plan") for the non-employee members of our board of directors, which allowed the directors at their option to defer all or a portion of the fees paid for their services as directors and have such deferred fees paid in shares of our common stock within 90 days after the participant's end of service as a director. As of December 31, 2015, \$1.1 million of directors' fees had been deferred under this plan. These deferred fees represented 34,645 shares of Main Street common shares. These shares will not be issued or included as outstanding on the consolidated statement of changes in net assets until each applicable participant's end of service as a director, but are included in operating expenses and weighted-average shares outstanding on Main Street's consolidated statement of operations as earned.

In November 2015, our board of directors approved and adopted the Main Street Capital Corporation Deferred Compensation Plan (the "2015 Deferred Compensation Plan"). The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the 2013 Deferred Compensation Plan. Under the 2015 Deferred Compensation Plan, non-employee directors and certain key employees may defer receipt of some or all of their cash compensation, subject to certain limitations. Individuals participating in the 2015 Deferred Compensation Plan receive distributions of their respective balances based on predetermined payout schedules or other events as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan, including phantom Main Street stock units.

**NOTE Q SUBSEQUENT EVENTS**

During January 2016, Main Street fully exited its debt and equity investments in Southern RV, LLC, a four-location dealer of new and used recreational vehicles ("RV") and its affiliated real estate entity (together, "Southern RV") through a sale of Southern RV's assets and business. Southern RV has facilities in Tyler, TX, Bossier City, LA, Lafayette, LA, and Biloxi, MS and also engages in financing, parts sales and RV services. Southern RV's predecessor was originally founded in 2000 and offers its customers a variety of Travel Trailers, Fifth Wheels, Toy Haulers, Class A Motorhomes, and Class C Motorhomes from top-selling manufacturers. Main Street made its initial investment in Southern RV in August 2013 and realized a gain of approximately \$14.4 million on the exit of its equity investments in Southern RV. The Southern RV investments triggered the annual summarized balance sheet and income statement information requirement imposed by Rule 4-08(g) of Regulation S-X for the year ended December 31, 2015 (as discussed further above in Note C), but Main Street is not including such information in this Annual Report on Form 10-K as it would not be meaningful to the Company's investors due to the fact that the Company no longer holds any investments in Southern RV.

During February 2016, Main Street led a new portfolio investment totaling \$15.0 million of invested capital in UniRush, LLC ("UniRush") to fund UniRush's growth initiatives and refinance existing debt, with Main Street funding \$12.0 million of the investment. The investment in UniRush consisted of first-lien, senior secured term debt. In addition, Main Street and its co-investor provided UniRush a \$5.0 million delayed draw term loan facility to support its future growth opportunities. Headquartered in Cincinnati, Ohio and founded in 2003, UniRush is a leading provider of prepaid debit card solutions branded under the "RushCard" and "Rapid PayCard". RushCard was one of the first prepaid, reloadable Visa debit card programs, and provides financial services for the more than 65 million individuals in the United States who cannot or choose not to establish a traditional banking relationship. Rapid PayCard is a provider of prepaid, payroll debit cards for employers as an alternative to issuing paper checks to employees.

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**MAIN STREET CAPITAL CORPORATION**

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

During February 2016, Main Street declared regular monthly dividends of \$0.180 per share for each of April, May and June 2016. These regular monthly dividends equal a total of \$0.540 per share for the second quarter of 2016. The second quarter 2016 regular monthly dividends represent a 2.9% increase from the dividends declared for the second quarter of 2015. Including the dividends declared for the second quarter of 2016, Main Street will have paid \$16.960 per share in cumulative dividends since its October 2007 initial public offering.

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders'  
Main Street Capital Corporation

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the "Company") referred to in our report dated February 26, 2016, which is included in the annual report on Form 10-K. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(2), which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 26, 2016

## MAIN STREET CAPITAL CORPORATION

**Consolidated Schedule of Investments in and Advances to Affiliates**  
**December 31, 2015**  
(dollars in thousands)

| Company                                  | Investments(1)                 | Amount of Interest or Dividends Credited to Income(2) | December 31, 2014 Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2015 Fair Value |
|--|--------------------------------|---|-------------------------|--------------------|---------------------|------------------------------|
| <b>Control Investments</b>               |                                |   |                         |                    |                     |                              |
| <i>Majority-owned investments</i>        |                                |   |                         |                    |                     |                              |
| <b>Café Brazil, LLC</b>                  | Member Units                   | \$ 1,070  | \$ 6,980                | \$ 350             | \$                  | \$ 7,330                     |
| <b>GRT Rubber Technologies LLC</b>       | LIBOR Plus 9.00% (Floor 1.00%) | 1,783   | 16,585                  | 32                 | 629                 | 15,988                       |
|  | Member Units                   | 82  | 13,065                  | 2,515              |                     | 15,580                       |
| <b>Hydratec, Inc.</b>                    | Common Stock                   | 2,207   | 13,720                  | 1,230              |                     | 14,950                       |
|  | 9% Secured Debt                | 4   |                         | 500                | 500                 |                              |
| <b>IDX Broker, LLC</b>                   | LIBOR Plus 6.50% (Floor 1.50%) | 11  | 125                     |                    | 125                 |                              |
|  | 12.5% Secured Debt             | 1,455   | 10,571                  | 798                | 19                  | 11,350                       |
|  | Member Units                   |   | 5,450                   | 990                |                     | 6,440                        |
| <b>Jensen Jewelers of Idaho, LLC</b>     | Prime Plus 6.75% (Floor 2.00%) | 458   | 3,655                   | 1,010              | 610                 | 4,055                        |
|  | Member Units                   | 1,036   | 3,580                   | 1,170              |                     | 4,750                        |
| <b>Lamb's Venture, LLC</b>               | 11% Secured Debt               | 641   | 3,916                   | 4,424              | 378                 | 7,962                        |
|  | Class B Member Units           | 376   | 4,048                   | 704                | 4,424               | 328                          |
|  | Member Units                   |   | 2,510                   | 2,180              |                     | 4,690                        |
|  | 9.5% Secured Debt              | 72  | 968                     |                    | 49                  | 919                          |
|  | Member Units                   | 91  | 1,240                   |                    |                     | 1,240                        |
| <b>Lighting Unlimited, LLC</b>           | 8% Secured Debt                | 123   | 1,550                   |                    | 36                  | 1,514                        |
|  | Preferred Equity               |   | 439                     |                    | 9                   | 430                          |
|  | Warrants                       |   | 40                      |                    |                     | 40                           |
|  | Member Units                   | 120   | 360                     |                    | 10                  | 350                          |
| <b>Mid-Columbia Lumber Products, LLC</b> | 10% Secured Debt               | 177   | 1,750                   |                    |                     | 1,750                        |
|  | 12% Secured Debt               | 474   | 3,900                   |                    |                     | 3,900                        |
|  | Member Units                   | (56)  | 10,180                  |                    | 7,600               | 2,580                        |
|  | 9.5% Secured Debt              | 87  | 927                     |                    | 46                  | 881                          |
|  | Member Units                   | 22  | 550                     |                    |                     | 550                          |
| <b>MSC Adviser I, LLC</b>                | Member Units                   | 2,197   | 15,580                  | 11,692             |                     | 27,272                       |
| <b>Mystic Logistics Holdings, LLC</b>    | 12% Secured Debt               | 1,240   | 9,790                   | 210                | 552                 | 9,448                        |
|  | Common Stock                   | 112   | 2,720                   | 3,250              |                     | 5,970                        |
| <b>NRP Jones, LLC</b>                    | 12% Secured Debt               | 1,839   | 11,590                  | 1,534              | 176                 | 12,948                       |
|  | Warrants                       |   | 970                     |                    | 520                 | 450                          |
|  | Member Units                   |   | 3,190                   |                    | 1,710               | 1,480                        |
| <b>PPL RVs, Inc.</b>                     | 11.1% Secured Debt             | 1,141   | 7,860                   | 2,112              | 262                 | 9,710                        |
|  | Common Stock                   |   | 8,160                   | 1,610              |                     | 9,770                        |

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|                                     |                                   |       |        |        |       |        |
|-------------------------------------|-----------------------------------|-------|--------|--------|-------|--------|
| <b>Principle Environmental, LLC</b> | 12% Secured Debt                  | 721   | 4,060  | 227    | 227   | 4,060  |
|                                     | 12% Current / 2% PIK Secured Debt | 476   | 3,244  | 82     | 16    | 3,310  |
|                                     | Preferred Member Units            | 262   | 11,830 |        | 5,770 | 6,060  |
|                                     | Warrants                          |       | 720    |        | 410   | 310    |
| <b>Quality Lease Service, LLC</b>   | 8% PIK Secured Debt               | 288   |        | 6,538  |       | 6,538  |
|                                     | Member Units                      |       |        | 2,638  |       | 2,638  |
| <b>Southern RV, LLC</b>             | 13% Secured Debt                  | 1,533 | 11,400 | 30     | 30    | 11,400 |
|                                     | Member Units                      | 982   | 4,920  | 10,180 |       | 15,100 |
|                                     | 13% Secured Debt                  | 437   | 3,250  | 9      | 9     | 3,250  |
|                                     | Member Units                      |       | 470    | 730    |       | 1,200  |
| <b>The MPI Group, LLC</b>           | 9% Secured Debt                   | 379   | 2,724  | 197    |       | 2,921  |
|                                     | Series A Preferred Units          |       | 980    |        | 290   | 690    |
|                                     | Warrants                          |       |        |        |       |        |
|                                     | Member Units                      |       | 2,300  |        | 70    | 2,230  |

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| Company                                     | Investments(1)                         | Amount of Interest or Dividends Credited to Income(2) | December 31, 2014 Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2015 Fair Value |
|---|--|---|-------------------------|--------------------|---------------------|------------------------------|
| Travis Acquisition LLC                      | 12% Secured Debt                       | 635   | 4,693                   | 33                 | 1,213               | 3,513                        |
|   | Member Units                           |   | 13,650                  | 830                |                     | 14,480                       |
| Uvalco Supply, LLC                          | 9% Secured Debt                        | 137   | 1,802                   |                    | 488                 | 1,314                        |
|   | Member Units                           | 179   | 3,500                   | 2,730              | 770                 | 5,460                        |
| Vision Interests, Inc.                      | 13% Secured Debt                       | 433   | 3,154                   | 31                 | 133                 | 3,052                        |
|   | Series A Preferred Stock               |   | 3,250                   | 300                |                     | 3,550                        |
|   | Common Stock                           |   | 100                     | 110                |                     | 210                          |
| Ziegler's NYPD, LLC                         | 6.5% Secured Debt                      | 92  | 1,491                   | 1                  | 500                 | 992                          |
|   | 12% Secured Debt                       | 56  |                         | 500                |                     | 500                          |
|   | 14% Secured Debt                       | 394   | 4,880                   | 629                | 2,759               | 2,750                        |
|   | Warrants                               |   |                         | 50                 |                     | 50                           |
|   | Member units                           |   |                         | 3,400              |                     | 3,400                        |
| <b><u>Other controlled investments</u></b>  |  |   |                         |                    |                     |                              |
| Access Media Holdings, LLC                  | 5.00% Current / 5.00% PIK Secured Debt | 553   |                         | 21,554             | 1,174               | 20,380                       |
|   | Preferred Member Units                 |   |                         | 4,394              | 2,394               | 2,000                        |
|   | Member Units                           |   |                         | 1                  | 1                   |                              |
| AmeriTech College, LLC                      | 10% Secured Debt                       | 2   |                         | 514                |                     | 514                          |
|   | 10% Secured Debt                       | 67  | 979                     |                    | 490                 | 489                          |
|   | 10% Secured Debt                       | 409   | 6,050                   |                    | 3,025               | 3,025                        |
|   | Preferred Member Units                 | 5   |                         | 2,291              |                     | 2,291                        |
| ASC Interests, LLC                          | 11% Secured Debt                       | 327   | 3,000                   | 16                 | 516                 | 2,500                        |
|   | Member Units                           | 89  | 1,970                   | 260                |                     | 2,230                        |
| Bond-Coat, Inc.                             | 12% Secured Debt                       | 1,480   | 13,570                  | 49                 | 2,023               | 11,596                       |
|   | Common Stock                           |   | 11,210                  |                    | 2,070               | 9,140                        |
| California Healthcare Medical Billing, Inc. | 9% Secured Debt                        | 361   | 8,703                   | 135                | 8,838               |                              |
|   | Warrants                               |   | 3,480                   |                    | 3,480               |                              |
|   | Common Stock                           |   | 1,460                   |                    | 1,460               |                              |
| CBT Nuggets, LLC                            | Member Units                           | 4,765   | 27,200                  | 14,920             |                     | 42,120                       |
| CMS Minerals LLC                            | Preferred Member Units                 | 1,923   |                         | 7,672              | 758                 | 6,914                        |
| Datacom, LLC                                | 10.5% Secured Debt                     | 1,271   | 11,103                  | 19                 | 152                 | 10,970                       |
|   | 8% Secured Debt                        | 21  |                         | 900                | 900                 |                              |
|   | Preferred Member Units                 | 54  | 6,030                   | 1,181              | 951                 | 6,260                        |
| Garreco, LLC                                | 14% Secured Debt                       | 832   | 5,320                   | 419                |                     | 5,739                        |
|   | Member Units                           | (45)  | 1,360                   |                    | 90                  | 1,270                        |
| Gulf Manufacturing, LLC                     | 9% PIK Secured Debt                    | 69  | 744                     | 33                 |                     | 777                          |
|   | Member Units                           | 543   | 16,540                  |                    | 2,770               | 13,770                       |
| Harrison Hydra-Gen, Ltd.                    | 9% Secured Debt                        | 661   | 5,487                   | 78                 | 555                 | 5,010                        |
|   | Preferred Stock                        | 101   | 1,260                   | 101                |                     | 1,361                        |
|   | Common Stock                           |   | 1,830                   | 770                |                     | 2,600                        |



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|   |                                |       |        |        |        |        |
|---|--------------------------------|-------|--------|--------|--------|--------|
| <b>Hawthorne Customs and Dispatch Services, LLC</b>             | Member Units                   | 47    | 370    | 90     |        | 460    |
|   | Member Units                   | 291   | 2,220  |        |        | 2,220  |
| <b>HW Temps LLC</b>   | LIBOR Plus 9.50% (Floor 1.00%) | 642   |        | 9,884  |        | 9,884  |
|   | Preferred Member Units         | 299   |        | 3,942  |        | 3,942  |
| <b>Impact Telecom, Inc.</b>                                     | LIBOR Plus 6.50% (Floor 2.00%) | 153   | 1,569  | 1      | 1,570  |        |
|   | 13% Secured Debt               | 3,321 | 15,515 | 378    | 15,893 |        |
|   | Warrants                       |       | 4,160  | 3,440  | 7,600  |        |
| <b>Indianapolis Aviation Partners, LLC</b>                      | 15% Secured Debt               | 566   | 3,100  |        |        | 3,100  |
|   | Warrants                       |       | 2,540  |        |        | 2,540  |
| <b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b> | 12% PIK Secured Debt           | 1,209 | 10,112 | 458    | 1,700  | 8,870  |
|   | Preferred Member Units         |       | 3,750  | 1,602  | 471    | 4,881  |
| <b>MH Corbin Holding LLC</b>                                    | 10% Secured Debt               | 487   |        | 13,869 |        | 13,869 |
|   | Preferred Member Units         | 47    |        | 6,000  |        | 6,000  |
| <b>NAPCO Precast, LLC</b>                                       | Prime Plus 2.00% (Floor 7.00%) | 67    | 625    | 10     | 10     | 625    |
|   | Prime Plus 2.00% (Floor 7.00%) | 281   | 2,923  | 464    | 7      | 3,380  |
|   | 18% Secured Debt               | 856   | 4,468  | 482    | 26     | 4,924  |
|   | Member Units                   | 1,016 | 7,560  | 1,030  |        | 8,590  |

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| Company   | Investments(1)                 | Amount of Interest or Dividends Credited to Income(2) | December 31, 2014 Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2015 Fair Value |
|---|--------------------------------|---|-------------------------|--------------------|---------------------|------------------------------|
| NRI Clinical Research, LLC  | 14% Secured Debt               | 769   | 4,779                   | 31                 | 271                 | 4,539                        |
|   | Warrants                       |   | 160                     | 180                |                     | 340                          |
|   | Member Units                   |   | 722                     | 620                |                     | 1,342                        |
| <b>OMi Holdings, Inc.</b>   | Common Stock                   |   | 13,420                  | 220                |                     | 13,640                       |
| <b>Pegasus Research Group, LLC (Televerde)</b>  | Member Units                   | 444   | 5,860                   | 980                |                     | 6,840                        |
| <b>River Aggregates, LLC</b>  | Zero Coupon Secured Debt       | 89  | 468                     | 88                 |                     | 556                          |
|   | 12% Secure Debt                | 16  | 500                     |                    | 500                 |                              |
|   | Member Units                   | 268   | 2,570                   | 1,260              |                     | 3,830                        |
|   | Member Units                   |   | 369                     | 1,991              |                     | 2,360                        |
| <b>SoftTouch Medical Holdings LLC</b>   | LIBOR Plus 9.00% (Floor 1.00%) | 963   | 8,417                   | 18                 | 425                 | 8,010                        |
|   | Member Units                   | 796   | 5,015                   | 780                | 85                  | 5,710                        |
| <b>Other</b>  |                                |   |                         |                    |                     |                              |
| Amounts related to investments transferred to or from other 1940 Act classification during the period |                                | (49)  | (7,029)                 |                    |                     |                              |
|   |                                | \$ 49,832   | \$ 469,846              | \$ 168,681         | \$ 90,545           | \$ 555,011                   |

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| Company                       | Investments(1)         | Amount of Interest or Dividends Credited to Income(2) | December 31, 2014 Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2015 Fair Value |
|-------------------------------|------------------------|---|-------------------------|--------------------|---------------------|------------------------------|
| <b>Affiliate Investments</b>  |                        |   |                         |                    |                     |                              |
| <b>AFG Capital Group, LLC</b> | 11% Secured Debt       | \$ 1,458  | \$ 6,465                | \$ 6,325           | \$                  | \$ 12,790                    |
|                               | Warrants               |   | 259                     | 231                |                     | 490                          |
|                               | Member Units           |   | 1,200                   | 820                |                     | 2,020                        |
| <b>Boss Industries, LLC</b>   | Preferred Member Units | 287   | 2,000                   | 586                |                     | 2,586                        |