

Main Street Capital CORP  
Form 497  
July 18, 2017

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**Filed Pursuant to Rule 497  
Registration Statement No. 333-203147**

**PROSPECTUS SUPPLEMENT  
(to Prospectus dated April 26, 2017)**

## **Up to 1,000,000 Shares Common Stock**

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This prospectus supplement describes our Dividend Reinvestment and Direct Stock Purchase Plan, or the Plan, and 1,000,000 shares of our common stock, par value \$0.01 per share, to be offered for purchase under the direct stock purchase feature of the Plan. The direct share purchase feature of the Plan is designed to provide new investors and existing holders of our common stock with a convenient and economical method to purchase shares of our common stock. American Stock Transfer & Trust Company will act as the administrator for the Plan (the "Plan Administrator").

Key aspects of the direct stock purchase feature of the Plan include:

Any holder of our common stock may elect to participate in the direct stock purchase feature of the Plan.

Interested new investors who are not currently holders of our common stock may make their initial purchase through the direct stock purchase feature of the Plan.

Optional cash investments of up to \$25,000 per month for the purchase of additional shares of our common stock.

We may, in the future, offer a discount from the market price of our common stock ranging from 0% to 5% (exclusive of any applicable sales or brokerage fees we pay on your behalf), at our sole discretion.

Optional one-time debit or monthly automatic deductions from your bank account.

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You may build your investment over time, starting with an initial investment of as little as \$250, or \$100 if you authorize automatic monthly cash investments.

You may access your account online to review and manage your investment.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million.

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

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

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

Our common stock is listed on the NYSE under the symbol "MAIN." On July 17, 2017, the last reported sale price of our common stock on the NYSE was \$38.72 per share, and the net asset value per share of our common stock on March 31, 2017 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was \$22.44.

**Investing in our common stock involves a high degree of risk, and should be considered highly speculative. See "Supplementary Risk Factors" beginning on page S-6 on this prospectus supplement and "Risk Factors" beginning on page 14 of the accompanying prospectus to read about factors you should consider, including the risk of leverage and dilution, before investing in our common stock.**

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

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

**The date of this prospectus supplement is July 18, 2017**

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**ABOUT THIS DOCUMENT**

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

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.**

**Forward-Looking Statements**

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

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**SUMMARY OF THE DIRECT STOCK PURCHASE FEATURE OF THE PLAN**

*The following summary highlights selected information about the direct stock purchase feature of the Plan, but may not contain all of the information that may be important to you. You should carefully read the detailed description of the direct stock purchase feature of the Plan contained in this prospectus supplement before you decide to participate in the direct stock purchase feature of the Plan.*

**Participation**

**Current Stockholders.** If you currently own shares in the Company, you can participate in the direct stock purchase feature of the Plan by completing an authorization form and submitting it to American Stock Transfer & Trust Company LLC, the Plan Administrator. The initial investment for existing record holders is \$100. Please see Question 6 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" for more detailed information.

**New Investors.** If you do not own any shares in the Company, you can participate in the direct stock purchase feature of the Plan by enrolling in the Plan and making an initial purchase of the Company's shares through the direct stock purchase feature of the Plan with a minimum initial investment of at least \$250 (or \$100 if you sign up for automatic monthly investments), but not more than \$25,000. Once you are a stockholder, the minimum purchase amount is reduced to \$100. Please see Question 6 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" for more detailed information.

**Advantages and Disadvantages**

The primary advantages of the direct stock purchase feature of the Plan are as follows:

**Direct Purchase of Initial Shares:** New investors may enroll in the direct stock purchase feature of the Plan by making an initial investment in shares of at least \$250 (or \$100 if you sign up for automatic monthly investments), but not more than \$25,000.

**Direct Purchase of Additional Shares through Optional Cash Investments:** Participants may purchase additional shares of our common stock by making optional cash investments of at least \$100 per investment, with a maximum allowable investment of \$25,000 per month. You can make optional cash investments by check or by authorizing a one-time debit or automatic monthly deductions from your bank checking or savings account. For automatic monthly deductions, bank accounts are debited on the 10th day of each month (or, if that day is not a business day, then on the prior business day), and funds will be invested beginning on the next applicable Cash Purchase Investment Date (as defined under Question 10 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" below).

**Discount:** If we issue new shares of our common stock to participants in the Plan, we may sell them, at our discretion, at a discount from 0% to 5% from the market price of our common stock (exclusive of any applicable fees we may pay on your behalf). If the Plan Administrator acquires our shares in the open market or in privately-negotiated transactions for participants in the Plan, we may discount such shares by paying from 0% to 5% of the purchase price for such shares (exclusive of any applicable brokerage or other fees we may pay on your behalf). Any such discounts will be made at our sole discretion.

**Reduced Fees:** The direct stock purchase feature of the Plan provides participants with the opportunity to acquire additional shares of our common stock directly from us without having to pay the trading fees or service charges associated with an independent purchase.

**Sale or Transfer of Shares:** Participants may request the sale of a portion or all of their Plan shares. Participants may direct the Plan Administrator to transfer to another participant all or a



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portion of their Plan shares provided that all transfer requirements have been met. The proceeds of the sale, less an administrative fee of \$15.00 and commission of \$0.10 per share, will be sent to you by check (generally within four days following the sale). A Form 1099-B will be mailed to you in February of each year related to your sales of shares in the prior year for income tax purposes. Participants may also direct the Plan Administrator to transfer to a brokerage account or to another participant or any other person or entity, at no cost to the participant, all or a portion of their Plan shares provided that all transfer requirements have been met.

***Simplified Recordkeeping:*** The Plan Administrator will mail Plan statements after each dividend. In addition, a notice will be mailed to you after each purchase, which will include the number of shares purchased and the purchase price. You may also view your transaction history online by logging into your account. Details available online include stock price, transaction type and date.

The risks associated with participating in the direct stock purchase feature of the Plan are described under the heading "Supplementary Risk Factors" beginning on page S-6 of this prospectus supplement.

**Source of Shares**

The Plan Administrator will purchase shares directly from us as newly issued common stock, in the open market or in privately negotiated transactions with third parties. Please see Questions 10 and 12 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" for more detailed information.

**Purchase Price**

The purchase price for shares under the direct stock purchase feature of the Plan depends on whether the Plan Administrator obtains your shares by purchasing them directly from us, in the open market or in privately negotiated transactions with third parties:

If the shares of our common stock are purchased directly from us, the purchase price will be the closing sales price per share reported on the NYSE on the Cash Purchase Investment Date (as defined below), subject to any discount rate (ranging from 0% to 5%) as we shall determine in our sole discretion. You will not be charged any fees or commissions with respect to such purchases. Any discount rate will apply uniformly to all optional cash investments by participants on any given Cash Purchase Investment Date.

If the shares of our common stock are purchased in the open market or in privately negotiated transactions, the purchase price will be the weighted average price paid per share for all the shares purchased in connection with such purchases, subject to any discount rate (ranging from 0% to 5%, exclusive of any applicable sales or brokerage fees we pay on your behalf) as we shall determine in our sole discretion. Any discount rate will apply uniformly to all optional cash investments by participants on any given Cash Purchase Investment Date. We will pay on your behalf any and all brokerage commissions incurred with respect to such purchases.

**Tracking Your Investments**

As a participant in the direct stock purchase feature of the Plan, you will receive periodic statements showing the details of each transaction and the share balance in your Plan account. Please see Question 22 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" for more detailed information.

**Plan Administrator**

We have appointed American Stock Transfer & Trust Company LLC as the administrator of the Plan. Please see Question 2 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan" for more detailed information.



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**FEES AND EXPENSES**

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

|  |              |
|--|--------------|
| <b>Stockholder Transaction Expenses:</b>   |              |
| Sales load (as a percentage of offering price)                                       | (1)          |
| Offering expenses (as a percentage of offering price)                                | 0.19%(2)     |
| Dividend reinvestment and direct stock purchase plan expenses                        | %(3)         |
| <b>Total stockholder transaction expenses (as a percentage of offering price)</b>    | <b>0.19%</b> |
| <b>Annual Expenses (as a percentage of net assets attributable to common stock):</b> |              |
| Operating expenses   | 2.88%(4)     |
| Interest payments on borrowed funds  | 2.74%(5)     |
| Income tax expense   | %(6)         |
| Acquired fund fees and expenses  | 0.40%(7)     |
| <b>Total annual expenses</b>   | <b>6.02%</b> |

- (1) Purchasers of shares of common stock through the direct stock purchase feature of the Plan will not pay any sales load.
- (2) The percentage reflects estimated offering expenses payable by us of approximately \$75,000 for the estimated duration of this offering.
- (3) The expenses of administering our dividend reinvestment and direct stock purchase plan are included in operating expenses. Additional costs may be charged to participants in the Plan for certain types of transactions described in Question 21 under the section entitled "Terms and Conditions of the Direct Stock Purchase Feature of the Plan."
- (4) Operating expenses in this table represent the estimated expenses of Main Street and its consolidated subsidiaries.
- (5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (6) Income tax expense relates to the accrual of (a) deferred tax provision (benefit) on the net unrealized appreciation (depreciation) from portfolio investments held in certain of our subsidiaries and (b) excise, state and other taxes. Deferred taxes are non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable or receivable. Due to the variable nature of deferred tax expense, which can be a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2016. However, since the income tax benefit at December 31, 2016 was \$1.2 million, which would have resulted in a (0.10%) percentage of net assets attributable to common stock, 0.00% was used.
- (7) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.

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*Example*

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above.

|   | 1 Year | 3 Years | 5 Years | 10 Years |
|---|--------|---------|---------|----------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return | \$ 62  | \$ 180  | \$ 295  | \$ 574   |

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

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**SUPPLEMENTARY RISK FACTORS**

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

***No interest will be paid on funds pending investment.***

If you wish to make regular periodic purchases without writing checks, you can authorize automatic monthly withdrawals from your U.S. bank account. Participants' bank accounts are debited on the 10th day of each month (or, if that day is not a business day, then on the prior business day) and funds will be invested beginning on the next applicable Cash Purchase Investment Date. Pending such investment, no interest is paid on optional cash investments held by the Plan Administrator. In addition, optional cash payments of less than the amounts required by the Plan and that portion of any optional cash payment which exceeds the maximum monthly purchase limit of \$25,000, are subject to return to you without interest.

***Participants will have no control over the purchase or sale price for shares acquired or disposed of through the Plan.***

Participants have no control over the share price or the timing of the purchase or sale of Plan shares. Participants cannot designate a specific price or a specific date at which to purchase or sell shares of our common stock or the selection of a broker/dealer through or from whom purchases or sales are made. Participants will not know the exact number of shares purchased until after any particular Cash Purchase Investment Date. In addition, because the Plan Administrator must receive funds for a cash purchase prior to the actual Cash Purchase Investment Date of the common stock, your investments may be exposed to changes in market conditions.

***No assurance of a profit or protection from losses on Shares purchased under the direct stock purchase feature of the Plan.***

Other than as described above, the risks related to your investment in the direct stock purchase feature of the Plan is no different from any investment in shares of our common stock held by you. If you choose to participate in the direct stock purchase feature of the Plan, then you should recognize that none of us, our subsidiaries and affiliates, nor the Plan Administrator can assure you of a profit or protect you against loss on the shares that you purchase under the direct stock purchase feature of the Plan. You bear the risk of loss in value and enjoy the benefits of gains with respect to all of your shares.

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**USE OF PROCEEDS**

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

On July 17, 2017, we had approximately \$298.0 million outstanding under our Credit Facility. Our Credit Facility matures in September 2021, unless extended, and bears interest, at our election, on a per annum basis equal to (A)(i) the applicable LIBOR rate plus 1.875% or (ii) the applicable base rate plus 0.875% so long as we maintain an investment grade rating and satisfy certain agreed upon excess collateral and leverage requirements, (B) 0.125% higher in each case so long as we maintain an investment grade rating but not the agreed upon excess collateral and/or leverage requirements, and (C) 0.375% higher in each case so long as we do not maintain an investment grade rating. Amounts repaid under our Credit Facility will remain available for future borrowings.

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The selected financial and other data below reflects the consolidated financial condition and the consolidated statement of operations of Main Street and its subsidiaries as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, and as of March 31, 2017 and for the three months ended March 31, 2017 and 2016. The selected financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data as of March 31, 2017, and for the three months ended March 31, 2017 and 2016, have been derived from unaudited financial data but, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the financial condition and operating results for such interim periods. Interim results as of and for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes thereto in the accompanying prospectus and "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Interim Financial Statements" in this prospectus supplement.

|   | Three Months Ended<br>March 31,                  |                 | Twelve Months Ended December 31, |                 |                 |                 |                 |
|---|--|-----------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2017   | 2016            | 2016                             | 2015            | 2014            | 2013            | 2012            |
|   | (dollars in thousands, except per share amounts) |                 |                                  |                 |                 |                 |                 |
|   | (Unaudited)                                      |                 |                                  |                 |                 |                 |                 |
| <b>Statement of operations data:</b>  |  |                 |                                  |                 |                 |                 |                 |
| Investment income:  |  |                 |                                  |                 |                 |                 |                 |
| Total interest, fee and dividend income   | \$ 47,889  | \$ 41,875       | \$ 178,165                       | \$ 163,603      | \$ 139,939      | \$ 115,158      | \$ 88,858       |
| Interest from idle funds and other  |  | 131             | 174                              | 986             | 824             | 1,339           | 1,662           |
| <b>Total investment income</b>  | <b>47,889</b>                                    | <b>42,006</b>   | <b>178,339</b>                   | <b>164,589</b>  | <b>140,763</b>  | <b>116,497</b>  | <b>90,520</b>   |
| Expenses:   |  |                 |                                  |                 |                 |                 |                 |
| Interest  | (8,608)  | (8,182)         | (33,630)                         | (32,115)        | (23,589)        | (20,238)        | (15,631)        |
| Compensation  | (4,430)  | (3,820)         | (16,408)                         | (14,852)        | (12,337)        | (8,560)         | (8,560)         |
| General and administrative  | (2,940)  | (2,405)         | (9,284)                          | (8,621)         | (7,134)         | (4,877)         | (2,330)         |
| Share-based compensation  | (2,269)  | (1,589)         | (8,304)                          | (6,262)         | (4,215)         | (4,210)         | (2,565)         |
| Expenses allocated to the External Investment Manager   | 1,524  | 1,154           | 5,089                            | 4,335           | 2,048           |                 |                 |
| Expenses reimbursed to MSCP(1)  |  |                 |                                  |                 |                 | (3,189)         | (10,669)        |
| <b>Total expenses</b>   | <b>(16,723)</b>                                  | <b>(14,842)</b> | <b>(62,537)</b>                  | <b>(57,515)</b> | <b>(45,227)</b> | <b>(41,074)</b> | <b>(31,195)</b> |
| Net investment income   | 31,166   | 27,164          | 115,802                          | 107,074         | 95,536          | 75,423          | 59,325          |
| Total net realized gain (loss) from investments   | 27,565   | 13,603          | 29,389                           | (21,316)        | 23,206          | 7,277           | 16,479          |
| Total net realized loss from SBIC debentures  | (5,217)  |                 |                                  |                 |                 | (4,775)         |                 |
| Total net change in unrealized appreciation (depreciation) from investments                               | (22,091)   | (26,072)        | (6,576)                          | 10,871          | (776)           | 14,503          | 44,464          |
| Total net change in unrealized appreciation (depreciation) from SBIC debentures and investment in MSCP(1) | 5,665  | (146)           | (943)                            | (879)           | (10,931)        | 4,392           | (5,004)         |
| Income tax benefit (provision)  | (5,638)  | 2,263           | 1,227                            | 8,687           | (6,287)         | 35              | (10,820)        |
| Net increase in net assets resulting from operations  | 31,450   | 16,812          | 138,899                          | 104,437         | 100,748         | 96,855          | 104,444         |
| Noncontrolling interest   |  |                 |                                  |                 |                 |                 | (54)            |
| Net increase in net assets resulting from operations attributable to common stock                         | \$ 31,450  | \$ 16,812       | \$ 138,899                       | \$ 104,437      | \$ 100,748      | \$ 96,855       | \$ 104,390      |
| Net investment income per share basic and diluted   | \$ 0.57  | \$ 0.54         | \$ 2.23                          | \$ 2.18         | \$ 2.20         | \$ 2.06         | \$ 2.01         |
|   | \$ 0.57  | \$ 0.33         | \$ 2.67                          | \$ 2.13         | \$ 2.31         | \$ 2.65         | \$ 3.53         |

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Net increase in net assets resulting from  
operations attributable to common stock per  
share basic and diluted

|   |            |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|
| Weighted-average shares outstanding basic and diluted | 55,125,170 | 50,549,780 | 52,025,002 | 49,071,492 | 43,522,397 | 36,617,850 | 29,540,114 |
|---|------------|------------|------------|------------|------------|------------|------------|

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Main Street Capital Partners, LLC

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|   | As of<br>March 31,<br>2017 | 2016                | 2015                | As of December 31,<br>2014 2013 2012 |                     |                     |
|---|----------------------------|---------------------|---------------------|--------------------------------------|---------------------|---------------------|
|   | (dollars in thousands)     |                     |                     |                                      |                     |                     |
| <b>Balance sheet data:</b>  |                            |                     |                     |                                      |                     |                     |
| Assets:   |                            |                     |                     |                                      |                     |                     |
| Total portfolio investments at fair value                             | \$ 1,979,378               | \$ 1,996,906        | \$ 1,799,996        | \$ 1,563,330                         | \$ 1,286,188        | \$ 924,431          |
| Marketable securities and idle funds investments                      |                            |                     | 3,693               | 9,067                                | 13,301              | 28,535              |
| Cash and cash equivalents   | 33,605                     | 24,480              | 20,331              | 60,432                               | 34,701              | 63,517              |
| Interest receivable and other assets                                  | 46,164                     | 37,123              | 37,638              | 46,406                               | 16,054              | 14,580              |
| Deferred financing costs, net of accumulated amortization             | 12,603                     | 12,645              | 13,267              | 14,550                               | 9,931               | 5,162               |
| Deferred tax asset, net   | 4,739                      | 9,125               | 4,003               |                                      |                     |                     |
| <b>Total assets</b>   | <b>\$ 2,076,489</b>        | <b>\$ 2,080,279</b> | <b>\$ 1,878,928</b> | <b>\$ 1,693,785</b>                  | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> |
| Liabilities and net assets:   |                            |                     |                     |                                      |                     |                     |
| Credit facility   | \$ 288,000                 | \$ 343,000          | \$ 291,000          | \$ 218,000                           | \$ 237,000          | \$ 132,000          |
| SBIC debentures at fair value(1)                                      | 239,355                    | 239,603             | 223,660             | 222,781                              | 187,050             | 211,467             |
| 4.50% Notes   | 175,000                    | 175,000             | 175,000             | 175,000                              |                     |                     |
| 6.125% Notes  | 90,655                     | 90,655              | 90,738              | 90,823                               | 90,882              |                     |
| Accounts payable and other liabilities                                | 11,758                     | 14,205              | 12,292              | 10,701                               | 10,549              | 8,593               |
| Payable for securities purchased                                      | 14,064                     | 2,184               | 2,311               | 14,773                               | 27,088              | 20,661              |
| Interest payable  | 3,471                      | 4,103               | 3,959               | 4,848                                | 2,556               | 3,562               |
| Dividend payable  | 10,252                     | 10,048              | 9,074               | 7,663                                | 6,577               | 5,188               |
| Deferred tax liability, net   |                            |                     |                     | 9,214                                | 5,940               | 11,778              |
| <b>Total liabilities</b>  | <b>832,555</b>             | <b>878,798</b>      | <b>808,034</b>      | <b>753,803</b>                       | <b>567,642</b>      | <b>393,249</b>      |
| <b>Total net asset value</b>  | <b>1,243,934</b>           | <b>1,201,481</b>    | <b>1,070,894</b>    | <b>939,982</b>                       | <b>792,533</b>      | <b>642,976</b>      |
| <b>Total liabilities and net assets</b>                               | <b>\$ 2,076,489</b>        | <b>\$ 2,080,279</b> | <b>\$ 1,878,928</b> | <b>\$ 1,693,785</b>                  | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> |
| <b>Other data:</b>  |                            |                     |                     |                                      |                     |                     |
| Weighted-average effective yield on LMM debt investments(2)           | 12.2%                      | 12.5%               | 12.2%               | 13.2%                                | 14.7%               | 14.3%               |
| Number of LMM portfolio companies                                     | 73                         | 73                  | 71                  | 66                                   | 62                  | 56                  |
| Weighted-average effective yield on Middle Market debt investments(2) | 8.6%                       | 8.5%                | 8.0%                | 7.8%                                 | 7.8%                | 8.0%                |
| Number of Middle Market portfolio companies                           | 69                         | 78                  | 86                  | 86                                   | 92                  | 79                  |
| Weighted-average effective yield on Private Loan debt investments(2)  | 9.6%                       | 9.6%                | 9.5%                | 10.1%                                | 11.3%               | 14.8%               |
| Number of Private Loan portfolio companies                            | 49                         | 46                  | 40                  | 31                                   | 15                  | 9                   |
| Expense ratios (as percentage of average net assets):                 |                            |                     |                     |                                      |                     |                     |
| Total expenses, including income tax expense                          | 1.8%(6)                    | 5.5%                | 4.6%                | 5.8%                                 | 5.8%                | 8.2%(3)             |
| Operating expenses  | 1.4%(6)                    | 5.6%                | 5.5%                | 5.1%                                 | 5.8%                | 6.1%(3)             |
| Operating expenses, excluding interest expense                        | 0.7%(6)                    | 2.6%                | 2.4%                | 2.4%                                 | 3.0%                | 3.0%(3)             |
| Total investment return(4)  | 5.6%(6)                    | 37.4%               | 8.5%                | 3.1%                                 | 16.7%               | 53.6%               |
| Total return based on change in NAV(5)                                | 2.6%(6)                    | 13.0%               | 11.1%               | 12.7%                                | 15.1%               | 25.7%               |

(1) SBIC debentures for March 31, 2017, December 31, 2016, 2015, 2014, 2013, and 2012 are \$240,200, \$240,000, \$225,000, \$225,000, \$200,200, and \$225,000 at par, respectively, with par of \$50,000 for March 31, 2017, \$75,200 for December 31, 2016, 2015, 2014 and 2013, and \$100,000 for December 31, 2012 recorded at fair value of \$49,155, \$74,803, \$73,860, \$72,981, \$62,050, and \$86,467, as of December 31, 2016, 2015, 2014, 2013, and 2012, 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

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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 any debt investments on non-accrual status, Main Street's expenses or any sales load paid by an investor. For information on our investments on non-accrual status, see "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio Asset Quality" elsewhere in this prospectus supplement.

- (3) Ratios are net of amounts attributable to MSC II non-controlling interest.
- (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.
- (6) Not annualized.

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

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

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

**ORGANIZATION**

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

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

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

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

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

**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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

We seek to fill the financing gap for LMM businesses, which, historically, have had 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.

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

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

Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market or Private Loan portfolio investments,

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

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of March 31, 2017 and December 31, 2016 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of March 31, 2017  |               |              |
|--|-----------------------|---------------|--------------|
|  | LMM(a)                | Middle Market | Private Loan |
|  | (dollars in millions) |               |              |
| Number of portfolio companies                                | 73                    | 69            | 49           |
| Fair value   | \$ 886.6              | \$ 568.8      | \$ 384.2     |
| Cost   | \$ 772.1              | \$ 588.9      | \$ 403.7     |
| % of portfolio at cost debt                                  | 67.6%                 | 96.9%         | 94.0%        |
| % of portfolio at cost equity                                | 32.4%                 | 3.1%          | 6.0%         |
| % of debt investments at cost secured by first priority lien | 96.1%                 | 88.8%         | 90.2%        |
| Weighted-average annual effective yield(b)                   | 12.2%                 | 8.6%          | 9.6%         |
| Average EBITDA(c)  | \$ 4.6                | \$ 95.5       | \$ 24.8      |

(a) At March 31, 2017, we had equity ownership in approximately 99% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 37%.

(b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of March 31, 2017, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.

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

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

|  | <b>As of December 31, 2016</b> |                          |                         |
|--|--------------------------------|--------------------------|-------------------------|
|  | <b>LMM(a)</b>                  | <b>Middle<br/>Market</b> | <b>Private<br/>Loan</b> |
|  | <b>(dollars in millions)</b>   |                          |                         |
| Number of portfolio companies                                | 73                             | 78                       | 46                      |
| Fair value   | \$ 892.6                       | \$ 630.6                 | \$ 342.9                |
| Cost   | \$ 760.3                       | \$ 646.8                 | \$ 357.7                |
| % of portfolio at cost debt                                  | 69.1%                          | 97.2%                    | 93.5%                   |
| % of portfolio at cost equity                                | 30.9%                          | 2.8%                     | 6.5%                    |
| % of debt investments at cost secured by first priority lien | 92.1%                          | 89.1%                    | 89.0%                   |
| Weighted-average annual effective yield(b)                   | 12.5%                          | 8.5%                     | 9.6%                    |
| Average EBITDA(c)  | \$ 5.9                         | \$ 98.6                  | \$ 22.7                 |

- (a) At December 31, 2016, we had equity ownership in approximately 99% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 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, 2016, 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, one Middle Market portfolio company and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies.

As of March 31, 2017, we had Other Portfolio investments in ten companies, collectively totaling approximately \$106.3 million in fair value and approximately \$111.8 million in cost basis and which comprised approximately 5.4% of our Investment Portfolio (as defined in "Critical Accounting Policies Basis of Presentation" below) at fair value. As of December 31, 2016, we had Other Portfolio investments in ten companies, collectively totaling approximately \$100.3 million in fair value and approximately \$107.1 million in cost basis and which comprised approximately 5.0% 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 March 31, 2017, there was no cost basis in this investment and the investment had a fair value of approximately \$33.5 million, which comprised approximately 1.7% of our Investment Portfolio at fair value. As of December 31, 2016, there was no cost basis in this investment and the investment had a fair value of approximately \$30.6 million, which comprised approximately 1.5% 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.

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

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the three months ended March 31, 2017 and 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.6% and 1.4%, respectively, on an annualized basis.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. 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. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the three months ended March 31, 2017 and 2016, the External Investment Manager earned \$2.6 million and \$2.3 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

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

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**CRITICAL ACCOUNTING POLICIES**

***Basis of Presentation***

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

Our accompanying unaudited consolidated financial statements are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three months ended March 31, 2017 and 2016 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2016. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("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. 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)."

***Investment Portfolio Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of March 31, 2017 and December 31, 2016, our Investment Portfolio valued at fair value represented approximately 95% and 96% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of 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

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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 with 1940 Act requirements. We believe our Investment Portfolio as of March 31, 2017 and December 31, 2016 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

***Revenue Recognition***

*Interest and Dividend Income*

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

*Fee Income*

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

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

We hold certain debt and preferred equity instruments in our Investment Portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these

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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 three months ended March 31, 2017 and 2016, (i) approximately 3.4% and 3.1%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.8% and 0.8%, 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.

***Income Taxes***

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

The Taxable Subsidiaries primarily hold certain portfolio investments for us. The Taxable Subsidiaries permit us to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes and to continue to comply with the "source-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.

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



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

**INVESTMENT PORTFOLIO COMPOSITION**

Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and our LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, 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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio. Our Private Loan portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date.

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

Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income. Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began allocating costs to the External Investment Manager pursuant to the sharing agreement. Our total expenses for the three months ended March 31, 2017 and 2016 are net of expenses allocated to the External Investment Manager of \$1.5 million and \$1.2 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

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allocated to the External Investment Manager and dividend income from the External Investment Manager. For the three months ended March 31, 2017 and 2016, the total contribution to our net investment income was \$2.2 million and \$1.9 million, respectively.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of March 31, 2017 and December 31, 2016 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|------------------|---------------------------|------------------------------|
| First lien debt  | 76.6%                     | 76.1%                        |
| Equity           | 15.6%                     | 14.5%                        |
| Second lien debt | 6.2%                      | 7.7%                         |
| Equity warrants  | 1.0%                      | 1.1%                         |
| Other            | 0.6%                      | 0.6%                         |
|                  | 100.0%                    | 100.0%                       |

| <b>Fair Value:</b> | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--------------------|---------------------------|------------------------------|
| First lien debt    | 69.6%                     | 68.7%                        |
| Equity             | 23.2%                     | 22.6%                        |
| Second lien debt   | 5.8%                      | 7.2%                         |
| Equity warrants    | 0.8%                      | 0.9%                         |
| Other              | 0.6%                      | 0.6%                         |
|                    | 100.0%                    | 100.0%                       |

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



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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.

The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of March 31, 2017 and December 31, 2016:

| Investment Rating      | As of March 31, 2017      |                               | As of December 31, 2016   |                               |
|------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
|                        | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| (dollars in thousands) |                           |                               |                           |                               |
| 1                      | \$ 241,988                | 27.3%                         | \$ 253,420                | 28.4%                         |
| 2                      | 195,294                   | 22.0%                         | 258,085                   | 28.9%                         |
| 3                      | 354,367                   | 40.0%                         | 294,807                   | 33.0%                         |
| 4                      | 82,485                    | 9.3%                          | 75,433                    | 8.5%                          |
| 5                      | 12,425                    | 1.4%                          | 10,847                    | 1.2%                          |
| Total                  | \$ 886,559                | 100.0%                        | \$ 892,592                | 100.0%                        |

Based upon our investment rating system, the weighted-average rating of our LMM portfolio was approximately 2.4 and 2.3 as of March 31, 2017 and December 31, 2016, respectively.

As of March 31, 2017, our total Investment Portfolio had five investments on non-accrual status, which comprised approximately 0.2% of its fair value and 2.7% of its cost. As of December 31, 2016, our total Investment Portfolio had four investments on non-accrual status, which comprised approximately 0.6% of its fair value and 3.0% of its cost.

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

Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the three months ended March 31, 2017 and March 31, 2016*

|  | Three Months Ended<br>March 31, |           | Net Change |     |
|--|---------------------------------|-----------|------------|-----|
|  | 2017                            | 2016      | Amount     | %   |
|  | (dollars in thousands)          |           |            |     |
| Total investment income  | \$ 47,889                       | \$ 42,006 | \$ 5,883   | 14% |
| Total expenses   | (16,723)                        | (14,842)  | (1,881)    | 13% |
| Net investment income  | 31,166                          | 27,164    | 4,002      | 15% |
| Net realized gain from investments                             | 27,565                          | 13,603    | 13,962     |     |
| Net realized loss from SBIC debentures                         | (5,217)                         |           | (5,217)    |     |
| Net change in net unrealized appreciation (depreciation) from: |                                 |           |            |     |
| Portfolio investments  | (22,091)                        | (27,529)  | 5,438      |     |
| SBIC debentures and marketable securities and idle funds       | 5,665                           | 1,311     | 4,354      |     |
| Total net change in net unrealized depreciation                | (16,426)                        | (26,218)  | 9,792      |     |
| Income tax benefit (provision)                                 | (5,638)                         | 2,263     | (7,901)    |     |
| Net increase in net assets resulting from operations           | \$ 31,450                       | \$ 16,812 | \$ 14,638  | 87% |

|  | Three Months Ended<br>March 31,                  |           | Net Change |     |
|--|--|-----------|------------|-----|
|  | 2017   | 2016      | Amount     | %   |
|  | (dollars in thousands, except per share amounts) |           |            |     |
| Net investment income  | \$ 31,166  | \$ 27,164 | \$ 4,002   | 15% |
| Share-based compensation expense                                   | 2,269  | 1,589     | 680        | 43% |
| Distributable net investment income(a)                             | \$ 33,435  | \$ 28,753 | \$ 4,682   | 16% |
| Net investment income per share Basic and diluted                  | \$ 0.57  | \$ 0.54   | \$ 0.03    | 6%  |
| Distributable net investment income per share Basic and diluted(a) | \$ 0.61  | \$ 0.57   | \$ 0.04    | 7%  |

(a)

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

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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 three months ended March 31, 2017, total investment income was \$47.9 million, a 14% increase over the \$42.0 million of total investment income for the corresponding period of 2016. This comparable period increase was principally attributable to (i) a \$6.3 million increase in interest income primarily related to higher average levels of portfolio debt investments and increased activities involving

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existing Investment Portfolio debt investments and (ii) a \$0.4 million increase in fee income, partially offset by a \$0.6 million decrease in dividend income from Investment Portfolio equity investments. The \$5.9 million increase in total investment income in the three months ended March 31, 2017 includes an increase of \$2.7 million related to higher accelerated prepayment, repricing and other activity for certain Investment Portfolio debt investments when compared to the same period in 2016.

*Expenses*

For the three months ended March 31, 2017, total expenses increased to \$16.7 million from \$14.8 million for the corresponding period of 2016. This comparable period increase in operating expenses was principally attributable to (i) a \$0.7 million increase in share-based compensation expense, (ii) a \$0.6 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals, (iii) a \$0.5 million increase in general and administrative expenses, primarily related to non-recurring professional fees and other expenses incurred on certain potential new portfolio investment opportunities which were terminated during the due diligence and legal documentation processes, and (iv) a \$0.4 million increase in interest expense, primarily due to the higher average interest rate and balance outstanding on our Credit Facility in the three months ended March 31, 2017, with these increases partially offset by a \$0.4 million increase in the expenses allocated to the External Investment Manager, in each case when compared to the same period in the prior year. For the three months ended March 31, 2017, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.6% on an annualized basis, compared to 1.4% on an annualized basis for the three months ended March 31, 2016 and 1.5% for the year ended December 31, 2016.

*Net Investment Income*

Net investment income for the three months ended March 31, 2017 was \$31.2 million, or a 15% increase, compared to net investment income of \$27.2 million for the corresponding period of 2016. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses as discussed above.

*Distributable Net Investment Income*

For the three months ended March 31, 2017, distributable net investment income increased 16% to \$33.4 million, or \$0.61 per share, compared with \$28.8 million, or \$0.57 per share, in the corresponding period of 2016. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses both as discussed above. Distributable net investment income on a per share basis for the three months ended March 31, 2017 reflects (i) an increase of approximately \$0.05 per share from the comparable period in 2016 attributable to the net increase in the comparable levels of accelerated prepayment, repricing and other activity for certain Investment Portfolio debt investments and (ii) a greater number of average shares outstanding compared to the corresponding period in 2016 primarily due to shares issued through the ATM Program (as defined in "Liquidity and Capital Resources" Capital Resources" below).

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the three months ended March 31, 2017 was \$31.5 million, or \$0.57 per share, compared with \$16.8 million, or \$0.33 per share, during the three months ended March 31, 2016. This \$14.6 million increase from the same period in the prior year was primarily the result of (i) a \$14.0 million increase in the net realized gain (loss) from investments, (ii) a \$9.8 million improvement in net change in unrealized appreciation (depreciation) from portfolio investments and SBIC debentures, including accounting reversals relating to realized gains (losses), from net unrealized depreciation of \$26.2 million for the three months ended March 31, 2016 to a net

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unrealized depreciation of \$16.4 million for the three months ended March 31, 2017, and (iii) a \$4.0 million increase in net investment income as discussed above, partially offset by (i) a \$5.2 million realized loss on the repayment of SBIC debentures outstanding at MSC II which had previously been accounted for on the fair value method of accounting and (ii) a \$7.9 million increase in the income tax provision from an income tax benefit of \$2.3 million for the three months ended March 31, 2016 to an income tax provision of \$5.6 million for the three months ended March 31, 2017. The net realized gain from investments of \$27.6 million for the three months ended March 31, 2017 was primarily the result of (i) the net realized gain of \$22.3 million on the exit of two LMM investments, (ii) the realized gain of \$2.6 million on the exit of one Private Loan investment and (iii) the net realized gain of \$2.5 million due to activity in our Other Portfolio. The realized loss of \$5.2 million on the repayment of SBIC debentures is related to the previously recognized bargain purchase gain resulting from recording the MSC II debentures at fair value on the date of the acquisition of MSC II in 2010. The effect of the realized loss is offset by the reversal of all previously recognized unrealized depreciation on these SBIC debentures due to fair value adjustments since the date of the acquisition.

The following table provides a summary of the total net unrealized depreciation of \$16.4 million for the three months ended March 31, 2017:

|  | Three Months Ended March 31, 2017 |                  |                 |               |                  | Total            |
|--|-----------------------------------|------------------|-----------------|---------------|------------------|------------------|
|  | LMM(a)                            | Middle<br>Market | Private<br>Loan | Other(b)      |                  |                  |
| (dollars in millions)  |                                   |                  |                 |               |                  |                  |
| Accounting reversals of net unrealized appreciation recognized in prior periods due to net realized gains recognized during period | \$ (20.0)                         | \$ (1.8)         | \$ (1.4)        | \$ (1.1)      | \$ (24.3)        |                  |
| Net unrealized appreciation (depreciation) relating to portfolio investments   | 2.2                               | (2.0)            | (3.3)           | 5.3           | 2.2              |                  |
| <b>Total net change in unrealized appreciation (depreciation) relating to portfolio investments</b>                                | <b>\$ (17.8)</b>                  | <b>\$ (3.8)</b>  | <b>\$ (4.7)</b> | <b>\$ 4.2</b> | <b>\$ (22.1)</b> |                  |
| Net unrealized appreciation relating to SBIC debentures(c)   |                                   |                  |                 |               |                  | 5.7              |
| <b>Total net change in unrealized depreciation</b>   |                                   |                  |                 |               |                  | <b>\$ (16.4)</b> |

(a) LMM includes unrealized appreciation on 22 LMM portfolio investments and unrealized depreciation on 15 LMM portfolio investments.

(b) Other includes \$2.9 million of unrealized appreciation relating to the External Investment Manager and \$2.4 million of net unrealized appreciation relating to the Other Portfolio.

(c) Relates to unrealized appreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis and includes \$6.0 million of accounting reversals resulting from the reversal of previously recognized unrealized depreciation recorded since the date of acquisition of MSC II on the debentures repaid due to fair value adjustments since such date, partially offset by \$0.3 million of current period unrealized depreciation on the remaining SBIC debentures.

The income tax provision for the three months ended March 31, 2017 of \$5.6 million principally consisted of a deferred tax provision of \$4.4 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, as well as other current tax expense of \$1.3 million related to (i) a \$0.9 million accrual for excise tax on our estimated undistributed taxable income and (ii) other current tax expense of \$0.4 million related to accruals for U.S. federal and state income taxes.





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*Liquidity and Capital Resources*

*Cash Flows*

For the three months ended March 31, 2017, we experienced a net increase in cash and cash equivalents in the amount of approximately \$9.1 million, which is the result of approximately \$55.8 million of cash provided by our operating activities and approximately \$46.6 million of cash used by financing activities.

During the period, we generated \$55.8 million of cash from our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling \$26.9 million, which is our \$33.4 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$4.7 million, payment-in-kind interest income of \$1.6 million, cumulative dividends of \$0.9 million and the amortization expense for deferred financing costs of \$0.7 million, (ii) cash uses totaling \$192.6 million consisting of (a) \$186.9 million from the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2016, (b) \$4.1 million related to decreases in payables and accruals and (c) \$1.6 million related to increases in other assets and (iii) cash proceeds totaling \$221.5 million which resulted from the sales and repayments of debt investments and sales of and return on capital of equity investments.

During the three months ended March 31, 2017, \$46.6 million in cash was used in financing activities, which principally consisted of (i) \$28.6 million in cash dividends paid to stockholders, (ii) \$55.0 million in net repayments on the Credit Facility, (iii) \$25.2 million in repayment of SBIC debentures, (iv) \$0.6 million for payment of deferred loan costs, SBIC debenture fees and other costs and (v) \$0.3 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock, partially offset by (i) \$37.7 million in net cash proceeds from the ATM Program (described below) and (ii) \$25.4 million in cash proceeds from issuance of SBIC debentures.

*Capital Resources*

As of March 31, 2017, we had \$33.6 million in cash and cash equivalents and \$267.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of March 31, 2017, our net asset value totaled \$1,243.9 million, or \$22.44 per share.

The Credit Facility, which provides additional liquidity to support our investment and operational activities, provides for commitments of \$555.0 million from a diversified group of fourteen lenders and matures in September 2021. The Credit Facility also contains an accordion feature which allows us to increase the total commitments under the facility to up to \$750.0 million 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 (0.98% as of March 31, 2017) plus (i) 1.875% (or the applicable base rate (Prime Rate of 4.00% as of March 31, 2017) 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

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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 2021, 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 March 31, 2017, we had \$288.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.7% 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 up to a maximum amount of \$350.0 million through our three existing SBIC licenses. During the three months ended March 31, 2017, we issued \$25.4 million of SBIC debentures and opportunistically prepaid \$25.2 million of our existing SBIC debentures as part of an effort to manage the maturity dates of our oldest SBIC debentures, leaving \$109.8 million of remaining capacity under our SBIC licenses. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semiannually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. Main Street expects to issue new SBIC debentures under the SBIC program in the future in an amount up to the regulatory maximum amount of \$350.0 million for affiliated SBIC funds. On March 31, 2017, through our three wholly owned SBICs, we had \$240.2 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted-average annual fixed interest rate of approximately 3.8%, paid semiannually, and mature ten years from issuance. The first maturity related to our SBIC debentures occurs in 2019, and the weighted-average remaining duration is approximately 5.7 years as of March 31, 2017.

In April 2013, we issued \$92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes (the "6.125% Notes"). The 6.125% Notes 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 accordance with the 1940 Act and the rules promulgated thereunder. As of March 31, 2017, 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 (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

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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 semiannually 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 March 31, 2017, 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 November 2015, we commenced a program with certain selling agents through which we can sell shares of our common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the three months ended March 31, 2017, we sold 1,035,286 shares of our common stock at a weighted-average price of \$36.86 per share and raised \$38.2 million of gross proceeds under the ATM Program. Net proceeds were \$37.7 million after commissions to the selling agents on shares sold and offering costs. As of March 31, 2017, 499,500 shares were available for sale under the ATM Program.

During the year ended December 31, 2016, we sold 3,324,646 shares of our common stock at a weighted-average price of \$34.17 per share and raised \$113.6 million of gross proceeds under the ATM Program. Net proceeds were \$112.0 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2016, sales transactions representing 42,413 shares had not settled and were not included in shares issued and outstanding on the face of the consolidated balance sheet, but were included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate our net asset value per share.

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

We periodically invest excess cash balances into "Marketable securities and idle funds investments". The primary investment objective of Marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments. 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 2017 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 since 2011. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

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

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

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

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under ASC 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. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarified the implementation guidance regarding performance obligations and licensing arrangements. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients*, which clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. In December 2016, the FASB issued ASU No. 2016-20, *Revenue from Contracts with Customers (Topic 606) Technical Corrections and Improvements*, which provided disclosure relief, and clarified the scope and application of the new revenue standard and related cost guidance. 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 expect to identify similar performance obligations under ASC 606 as compared with deliverables and separate units of account previously identified. As a result, we expect timing of our revenue recognition to remain the same.

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.

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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 Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on our consolidated financial statements as none of our investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. While we continue to assess the effect of adoption, we currently believe the most significant change relates to the recognition of a new right-of-use asset and lease liability on our consolidated balance sheet for our office space operating lease. We currently have one operating lease for office space and do not expect a significant change in our leasing activity between now and adoption. See further discussion of our operating lease obligation in "Note M Commitments and Contingences" in the notes to the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in "Note B.7. Summary of Significant Accounting Policies Share-based Compensation" in the notes to consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on our consolidated financial statements is not expected to be material.

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 consolidated 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.

Table of Contents***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 fund equity capital and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At March 31, 2017, we had a total of \$118.2 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) eight investments with equity capital commitments that had not been fully called.

***Contractual Obligations***

As of March 31, 2017, the future fixed commitments for cash payments in connection with our SBIC debentures, the 4.50% Notes, the 6.125% Notes and rent obligations under our office lease for each of the next five years and thereafter are as follows:

|                                 | 2017      | 2018      | 2019       | 2020      | 2021      | Thereafter | Total      |
|---------------------------------|-----------|-----------|------------|-----------|-----------|------------|------------|
| SBIC debentures                 | \$        | \$        | \$ 20,000  | \$ 55,000 | \$ 40,000 | \$ 125,200 | \$ 240,200 |
| Interest due on SBIC debentures | 5,014     | 9,228     | 9,228      | 8,033     | 5,484     | 14,388     | 51,375     |
| Notes 6.125%                    |           |           |            |           |           | 90,655     | 90,655     |
| Interest due on 6.125% Notes    | 4,165     | 5,553     | 5,553      | 5,553     | 5,553     | 6,939      | 33,316     |
| 4.50% Notes                     |           |           | 175,000    |           |           |            | 175,000    |
| Interest due on 4.50% Notes     | 7,875     | 7,875     | 7,875      |           |           |            | 23,625     |
| Operating Lease Obligation(1)   | 46        | 683       | 749        | 763       | 777       | 4,959      | 7,977      |
| Total                           | \$ 17,100 | \$ 23,339 | \$ 218,405 | \$ 69,349 | \$ 51,814 | \$ 242,141 | \$ 622,148 |

(1)

Operating Lease Obligation means a rent payment obligation under a lease classified as an operating lease and disclosed pursuant to FASB ASC 840, as may be modified or supplemented.

As of March 31, 2017, we had \$288.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2021. The Credit Facility contains two, one-year extension options which could extend the maturity to September 2023, subject to lender approval. 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 March 31, 2017, we had a receivable of approximately \$2.0 million due from the External Investment Manager which included approximately \$1.3 million primarily related to operating expenses incurred by us required to support the External Investment Manager's business and approximately \$0.7 million of dividends declared but not paid by the External Investment Manager.

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 Deferred Compensation Plan for Non-Employee Directors previously adopted by the Board of Directors in June 2013 (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 and directors' fees, subject to certain limitations. Individuals participating in the 2015

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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. As of March 31, 2017, \$2.8 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,938 shares of our common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of March 31, 2017 represented 65,882 shares of our common stock. Any amounts deferred under the plan represented by phantom Main Street stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but are included in operating expenses and weighted-average shares outstanding in our consolidated statement of operations as earned.



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**TERMS AND CONDITIONS OF THE DIRECT  
STOCK PURCHASE FEATURE OF THE PLAN**

The following are material terms and conditions of the direct stock purchase feature of the Plan, as in effect beginning on the date first set forth on the cover page of this prospectus supplement.

**PURPOSE**

**1. What is the purpose of the direct stock purchase feature of the Plan?**

The primary purpose of the direct stock purchase feature of the Plan is to give holders of shares of our common stock and new investors a convenient and economical way to acquire additional shares of our common stock by making optional cash payments to purchase shares of our common stock. In this way, the direct stock purchase feature of the Plan is intended to benefit our long-term investors by allowing them to increase their investment in our common stock. The direct stock purchase feature of the Plan also provides us with a cost-efficient way to raise additional capital through the direct sale of our common stock to participants in the direct stock purchase feature of the Plan.

**ADMINISTRATION**

**2. Who will administer the Plan?**

American Stock Transfer & Trust Company LLC has been appointed as administrator of the Plan. You should send all correspondence with the Plan Administrator to:

American Stock Transfer & Trust Company LLC  
6201 15th Avenue  
Brooklyn, NY 11219

All transaction processing should be directed to:

American Stock Transfer & Trust Company LLC  
P.O. Box 922  
Wall Street Station  
New York, NY 10269-0560  
Plan Administration Department

Please mention Main Street Capital Corporation and this Plan in all correspondence with the Plan Administrator. In addition, you may call the Plan Administrator at 1-866-706-8371 or contact the Plan Administrator via the internet at [www.astfinancial.com](http://www.astfinancial.com).

The Company may replace the Plan Administrator at any time upon written notice to the Plan Administrator and may designate another qualified administrator as successor Plan Administrator for all or a part of the Plan Administrator's functions under the Plan. All participants would be notified of any such change. If the Company changes the Plan Administrator, references in this prospectus to Plan Administrator shall be deemed to be references to the successor Plan Administrator, unless the context requires otherwise.

**3. What are the responsibilities of the Plan Administrator?**

The Plan Administrator's responsibilities principally include:

administration of the Plan;

acting as your agent;

keeping records of all Plan accounts;



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sending statements of activity to each participant;

purchasing and selling, on your behalf, all common stock under the Plan; and

the performance of other duties relating to the Plan.

***Holding Shares.*** If you purchase shares through optional cash payments and do not choose to have the dividends or distributions that are paid with respect to these shares reinvested, you must indicate that the shares are not to be enrolled in the dividend reinvestment feature of the Plan program. The Plan Administrator will hold any shares you choose to enroll in the dividend reinvestment feature of the Plan and will register them in the Plan Administrator's name (or that of its nominee) as your agent.

***Receipt of Dividends or Distributions.*** As record holder for the Plan shares, the Plan Administrator will receive dividends or distributions on all Plan shares held on the record date, will credit these dividends or distributions to your Plan account on the basis of whole or fractional Plan shares held in such account, and will automatically reinvest such dividends or distributions in additional common stock unless you select the cash payment only option on the authorization form or direct the Plan Administrator that you wish to receive cash payments only (which instructions can always be changed by providing notice to the Plan Administrator). Any remaining portion of cash dividends or distributions not designated for reinvestment will be sent to you. The record date associated with a particular dividend or distribution is referred to in this Plan as a "dividend record date."

***Other Responsibilities.*** The Plan Administrator also acts as dividend disbursing agent, transfer agent and registrar for our common stock.

***Replacement Administrator.*** If the Plan Administrator resigns or otherwise ceases to act as Plan Administrator, we will appoint a new Plan Administrator to administer the Plan.

## ELIGIBILITY AND ENROLLMENT

### 4. Who is eligible to participate in the direct stock purchase feature of the Plan?

***Record Owners.*** You are a record owner if you own shares of our common stock that are registered in your name with our transfer agent. If you are a record owner, you may participate directly in any or all of the features of the direct stock purchase feature of the Plan.

***Beneficial Owners.*** You are a beneficial owner if you own shares of our common stock that are registered in the name of a broker, bank or other nominee. If you are a beneficial owner, you must either (i) become a record owner by having one or more shares transferred into your own name, or (ii) coordinate your participation in the direct stock purchase feature of the Plan through the broker, bank or other nominee in whose name your common stock is held.

***New Investors.*** If you do not currently own shares of our common stock, you can participate in the Plan by making an initial purchase of shares of our common stock through the direct stock purchase feature of the Plan with a minimum investment of \$250 (or \$100 if you sign up for automatic monthly investments).

5.

**Are there limitations on participation in the direct stock purchase feature of the Plan other than those described under Question 4?**

**Regulations in certain countries may limit or prohibit participation in this type of plan. Persons residing outside the United States who wish to participate in the direct stock purchase feature of the Plan should first determine whether they are subject to any governmental regulation prohibiting their participation.**

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You may not participate in the direct stock purchase feature of the Plan if it would be unlawful for you to do so in the jurisdiction where you are a citizen or, if you are a corporation or other entity, where you are organized or domiciled. If you are a citizen of, or organized or domiciled in, a country other than the U.S., you should independently confirm that by participating in the direct stock purchase feature of the Plan you will not violate local laws governing, among other matters, taxes, currency and exchange controls, stock registration and foreign investments. We reserve the right to terminate participation of any participant if we deem it advisable under any foreign laws or regulations.

The direct stock purchase feature of the Plan is designed for long-term investors who would like to invest and build ownership of shares of our common stock over time. The direct stock purchase feature of the Plan is not intended to provide stockholders with a mechanism for generating short-term profits through rapid turnover of shares acquired at a discount. Further, the direct stock purchase feature of the Plan's intended purpose precludes any individual or entity from establishing a series of related accounts for the purpose of conducting arbitrage operations or exceeding the optional monthly cash investment limit. You should not use the direct stock purchase feature of the Plan to engage in short-term trading activities that could change the normal trading volume of shares of our common stock. If you engage in short-term trading activities, we may prevent you from participating in the direct stock purchase feature of the Plan. We reserve the right, in our sole discretion, to modify, deny, suspend or terminate participation by a Plan participant who, in our determination, is using the direct stock purchase feature of the Plan for purposes inconsistent with the intended purpose of the direct stock purchase feature of the Plan or which adversely affect the price of our common stock. In such an event, the Plan Administrator will notify the participant in writing of its action and will continue to hold the participant's shares in book-entry form, but will no longer reinvest the participant's dividends or distributions, or accept optional cash investments from the participant.

**6. How do I become a participant in the direct stock purchase feature of the Plan?**

**Record Holders.** Record holders may join the plan by completing and signing an authorization form and returning it to the Plan Administrator, or by following the enrollment procedures specified on the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com). Authorization forms may be obtained at any time by written request, by telephoning the Plan Administrator at the address and telephone number provided in Question 2, or via the internet at the Plan Administrator's website. The initial minimum investment for existing record holders is \$100.

**Beneficial Holders.** A beneficial holder may request that the number of shares the beneficial holder wishes to be enrolled in the direct stock purchase feature of the Plan be re-registered by the broker, bank or other nominee in the beneficial holder's own name as record owner in order to participate directly in the direct stock purchase feature of the Plan. Alternatively, beneficial holders who wish to join the direct stock purchase feature of the Plan may instruct their broker, bank or other nominee to arrange participation in the direct stock purchase feature of the Plan on the beneficial holder's behalf. The broker, bank or other nominee should then make arrangements with its securities depository, and the securities depository will provide the Plan Administrator with the information necessary to allow the beneficial holder to participate in the direct stock purchase feature of the Plan.

**New Investors.** If you do not currently own any shares of our common stock, you may enroll in the direct stock purchase feature of the Plan by making an initial purchase of shares of our common stock through the direct stock purchase feature of the Plan with a minimum investment of \$250 (or \$100 if you sign up for automatic monthly investments), but your initial investment cannot exceed \$25,000. The new investor should complete the portions of the authorization form for a new investor wishing to become a participant and should designate the amount of the initial investment in our common stock. At the same time, the new participant may designate all, some portion or none of the purchased shares to be enrolled in the dividend reinvestment program. The authorization form should be returned to the Plan Administrator, with payment, on or before the applicable dates described in

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Question 7. The new investors may also follow the enrollment procedures specified on the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com) to join the direct stock purchase feature of the Plan. Online enrollment should be completed on or before the applicable dates described in Question 7. Once you are a stockholder, the minimum purchase amount is reduced to \$100.

**7. When will my participation in the direct stock purchase feature of the Plan begin?**

If you have submitted your authorization form to make automatic monthly investments under the direct stock purchase feature of the Plan, the Plan Administrator must receive authorization two business days before the Cash Purchase Investment Date.

In the case of new investors making an initial investment, both the authorization form and full payment of their designated initial investment must be received two business days before the Cash Purchase Investment Date.

Once you enroll in the direct stock purchase feature of the Plan, you will remain enrolled in the direct stock purchase feature of the Plan until you withdraw, we terminate your participation or we terminate the Plan.

**8. What does the Plan Administrator's website provide?**

Instead of submitting an authorization form, you can participate in the direct stock purchase feature of the Plan by accessing the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com). The following services are available to you online:

Enroll or terminate your participation in the Plan

Make initial and additional purchases of common stock

Sell common stock

Request a stock certificate for non-fractional shares of common stock held in your Plan account

View your account history and balances

Establish automatic cash investment procedures through direct debit of your U.S. bank account

View Plan materials, including this prospectus and any supplement thereto

**OPTIONAL CASH INVESTMENTS**

**9. How do I make optional cash investments?**

Once you have enrolled in the direct stock purchase feature of the Plan by submitting an authorization form, you may make optional cash investments at any time in three ways:

***One-Time Online Investment.*** You may make a one-time optional cash investment by accessing your account online at [www.astfinancial.com](http://www.astfinancial.com). To purchase shares via online investment, you must authorize the withdrawal of funds from your bank account by electronic funds transfer.

***Automatic Monthly Investments.*** If you wish to make regular periodic purchases without writing checks, you can authorize automatic monthly withdrawals from your U.S. bank account. Participants' bank accounts are debited on the 10th day of

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each month (or, if that day is not a business day, then on the prior business day) and funds will be invested beginning on the next applicable investment date. You can authorize automatic monthly withdrawals by accessing your account at [www.astfinancial.com](http://www.astfinancial.com), or by completing and submitting to the Plan Administrator an automatic cash investment form, which you may obtain online or by telephoning the Plan Administrator. To terminate monthly purchases by automatic deduction, you must send the Plan

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Administrator written, signed directions or follow the procedures specified on the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com).

**Check.** You may send the Plan Administrator a check in U.S. dollars drawn on a U.S. bank and made payable to "American Stock Transfer & Trust Company LLC." If you are not in the United States, please contact your bank to verify that it can provide you with a check that clears through a U.S. bank and that the dollar amount printed is in U.S. Dollars. The Plan Administrator is unable to accept payment in the form of checks that clear through non-U.S. banks. The Plan Administrator will not accept payment in the form of cash, money orders, traveler's checks or third-party checks. To facilitate the processing of your investment, please use the appropriate form attached to your account statement and mail your check and form to American Stock Transfer & Trust Company LLC as indicated on the form. You may obtain an Optional Cash Investment form by accessing your account online at [www.astfinancial.com](http://www.astfinancial.com) or by calling the Plan Administrator.

**Insufficient Funds.** A \$25 fee will be assessed if any check or deposit is returned unpaid or if an automatic withdrawal from your bank account fails due to insufficient funds. In addition, the Plan Administrator will consider null and void the request for any optional cash investment associated with insufficient funds and will immediately remove any shares already credited to your account in anticipation of receiving those funds. The foregoing fee and any other incidental costs associated with the insufficient funds will be collected by the Plan Administrator through the sale of an appropriate number of shares from your Plan account. If the net proceeds from the sale of those shares are insufficient to satisfy the balance of the uncollected amounts, the Plan Administrator may sell additional shares from your account as necessary to satisfy the uncollected balance.

**No interest is paid on your payment pending its investment in shares of our common stock. During the period that an optional cash investment is pending, the collected funds in the possession of the Plan Administrator may be invested in money market mutual funds registered under the Investment Company Act of 1940 (including those of an affiliate of the Plan Administrator or for which the Plan Administrator or any of its affiliates provides management advisory or other services) consisting entirely of (i) direct obligations of the United States, or (ii) obligations fully guaranteed by the United States. The Plan Administrator will retain any investment income from such investments and will bear the risk of loss from such investments.**

**10. When will shares be purchased?**

If the Plan Administrator acquires shares directly from us, then the date on which the Plan Administrator will make such cash investments, which we refer to as the "Cash Purchase Investment Date," will be (i) on the 15th of each month (or the previous NYSE trading day if the 15th day is not an NYSE trading day), or (ii) in the case of February, on the last NYSE trading day of the month. If the Plan Administrator acquires shares from parties other than us, it will attempt to buy shares of our common stock in the open market through a registered broker-dealer or privately negotiated transaction. Such purchases may begin before or after the Cash Purchase Investment Date, and will be completed no later than thirty (30) days following such date, except where completion at a later date is necessary or advisable under any applicable U.S. federal or state securities laws or regulations.

**11. What are the minimum and maximum amounts for optional cash investments under the direct stock purchase feature of the Plan?**

Optional cash investments are subject to a monthly minimum purchase requirement of \$100 and a maximum purchase limit of \$25,000. For purposes of the Plan, we may aggregate all dividend reinvestments and optional cash investments for participants with more than one account. We reserve the right to not honor requests for investments if we deem that an individual is using the Plan as a

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trading account. The Plan has been designed to offer individuals with the opportunity to build equity and not as trading account. In addition, all Plan accounts that we believe to be under common control or management or to have common ultimate beneficial ownership may be aggregated. Unless we have determined, in our sole discretion, that reinvestment of dividends and optional cash investments for each such account would be consistent with the purposes of the Plan, we have the right to aggregate all such accounts and to return, without interest, within 30 days of receipt, any amounts in excess of the investment limitations applicable to a single account received in respect of all such accounts.

**COMMON STOCK USED TO SATISFY SHARE OBLIGATIONS**

**12. What is the source of shares to be purchased under the direct stock purchase feature of the Plan?**

Either newly issued shares or shares purchased on the open market or in privately negotiated transactions with third parties, at our or the Plan Administrator's discretion will be used to satisfy any share obligations under the Plan (subject to the regulatory matter described in Question 14 below). Shares issued directly by us will consist of authorized but unissued shares of common stock. We may change the source of the common stock for the Plan, in our sole discretion, without providing you notice that we are doing so.

**13. At what price will shares be issued or purchased?**

If the shares of our common stock are issued directly by us, the issue price will be the closing price per share reported on the NYSE on the Cash Purchase Investment Date (as defined below), subject to any discount rate (ranging from 0% to 5%, exclusive of any applicable fees we pay on your behalf) as we shall determine in our sole discretion. You will not be charged any fees or commissions with respect to such purchases. Any discount rate will apply uniformly to all optional cash investments by participants on any given Cash Purchase Investment Date.

If the shares of our common stock are purchased in the open market or in privately negotiated transactions, the purchase price will be the weighted average price paid per share for all the shares purchased in connection with such purchases, subject to any discount rate (ranging from 0% to 5%, exclusive of any applicable sales or brokerage fees we pay on your behalf) as we shall determine in our sole discretion. You will not be charged any fees or commissions with respect to such purchases. Any discount rate will apply uniformly to all optional cash investments by participants on any given Cash Purchase Investment Date.

We may, at our sole discretion, offer a discount of up to 5% of the market price, as calculated as set forth herein (exclusive of any applicable fees we may pay on your behalf), on issuances or purchases of common stock under the direct stock purchase feature of the Plan. We are not required to issue or sell shares at a discount under the direct stock purchase feature of the Plan or to pay a discount with respect to shares purchased by the Plan Administrator in the open market. If we implement discounts on any feature of the direct stock purchase feature of the Plan, any such discounts will be made at our sole discretion; and the discount rate we may offer will be subject to change or discontinuance at our discretion and without prior notice to participants in the direct stock purchase feature of the Plan. The discount rate, if any, will be determined by us from time to time based on a review of current market conditions, the level of participation in the direct stock purchase feature of the Plan, our current and projected capital needs and other factors that we deem to be relevant. Any discounts that we are offering under the Plan will be disclosed on the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com).



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**14. Are there any other limits on the purchase of shares of common stock under the Plan?**

We are prohibited from selling shares of our common stock at a price that is, after deducting any selling commissions, less than the net asset value per share of our common stock at the time of the sale, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2017 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, but we may seek such authorization at future annual meetings or special meetings of stockholders.

Sales by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See "Sales of Common Stock Below Net Asset Value" in the accompanying prospectus.

**STOCK CERTIFICATES AND SAFEKEEPING**

**15. Will I receive certificates for shares purchased through the direct stock purchase feature of the Plan?**

Normally, common stock purchased for you under the direct stock purchase feature of the Plan will be held in the name of the Plan Administrator or its nominee. The Plan Administrator will credit the shares to your direct stock purchase feature of the Plan account in "book-entry" form. This service protects against loss, theft or destruction of certificates evidencing common stock.

**16. Can I get certificates if I want them?**

No certificates will be issued to you for shares in the Plan unless you submit a written request to the Plan Administrator or, in certain cases, until your participation in the direct stock purchase feature of the Plan is terminated. At any time, you may request the Plan Administrator to send a certificate for some or all of the whole shares credited to your account. This request should be mailed to the Plan Administrator at the address set forth in the answer to Question 2 or made via the internet on the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com). There is no fee for this service. Any remaining whole shares and any fractions of shares will remain credited to your Plan account. Certificates for fractional shares will not be issued under any circumstances.

**17. May I deposit stock certificates I currently hold into my Plan account for safekeeping?**

You may also elect to deposit with the Plan Administrator certificates for common stock that you own and that are registered in your name for safekeeping under the plan for a fee of \$7.50 payable each time you deposit certificates with the Plan Administrator. The Plan Administrator will credit the common stock represented by the certificates to your account in "book-entry" form and will combine the shares with any whole and fractional shares then held in your Plan account. In addition to protecting against the loss, theft or destruction of your certificates, this service is convenient if and when you sell shares of common stock through the Plan. Because you bear the risk of loss in sending certificates to the Plan Administrator, you should send certificates by registered mail, return receipt requested, and properly insured to the address specified in Question 2 above.

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**18. In whose name will certificates be registered when issued?**

Your Plan account will be maintained in the name in which your certificates were registered at the time of your enrollment in the direct stock purchase feature of the Plan. Stock certificates for those shares purchased under the direct stock purchase feature of the Plan will be similarly registered when issued upon your request. If your shares are held through a broker, bank or other nominee, such request must be placed through your broker, bank or other nominee.

**SALE AND TRANSFER OF SHARES**

**19. How can I sell shares?**

You may instruct the Plan Administrator to sell all or any part of the shares held in your Plan account by doing any of the following:

access the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com). Select "Shareholder Account Access." You will be prompted to enter your ten digit account number (provided to you on your account statement) and your social security number (or PIN number, if you do not have a social security number). From the left toolbar, select "Sell. D/R Shares;"

call 1-866-706-8371 to access the Plan Administrator's automated telephone system; or

complete and sign the tear-off portion of your account statement or purchase confirmation and mail the instructions to the Plan Administrator.

If there is more than one individual owner on the Plan account, all participants must authorize the transaction and sign the instruction. As with issuances and purchases, the Plan Administrator aggregates all requests to sell shares and then sells the total share amount on the open market through a broker. Sales will be made daily, unless the Plan Administrator, at its discretion, determines to sell shares less frequently (but not later than five trading days after receipt) if the total number of the shares to be sold is not sufficient.

If you sell or transfer only a portion of the shares in your Plan account, you will remain a participant in the direct stock purchase feature of the Plan and may continue to make optional cash investments and reinvest dividends or distributions. The Plan Administrator will continue to reinvest the dividends or distributions on the shares credited to your account unless you notify the Plan Administrator that you wish to withdraw from the dividend reinvestment feature of the Plan.

The Plan requires you to pay all costs associated with the sale of your shares under the Plan. You will receive the proceeds of the sale, less a \$15 service fee per transaction and a \$0.10 per share commission paid to the Plan Administrator and less any other applicable fees by check. A Form 1099-B will be mailed to you in February of each year related to your sales of shares in the prior year for income tax purposes.

**Termination of Account Upon Sale of All Shares.** If the Plan Administrator sells all shares held in your Plan account, the Plan Administrator will automatically terminate your account. In this case, you will have to complete and file a new authorization form to rejoin the direct stock purchase feature of the Plan.

**Timing and Control.** Because the Plan Administrator will sell the shares on behalf of the Plan, neither we nor any participant in the Plan have the authority or power to control the timing or pricing of shares sold or the selection of the broker making the sales. Therefore, you will not be able to precisely time your sales through the Plan, and will bear the market risk associated with fluctuation in the price of our shares. That is, if you send in a request to sell shares, it is possible that the market price of our shares could go down or up before the broker sells your shares and the per share sales

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price you receive will be the average price of all shares sold for the Plan participants with respect to that sale date. In addition, you will not earn interest on a sales transaction.

Alternatively, you can transfer some or all of the shares held in your Plan account to your account with a broker or bank, who can then sell the shares for you. If you need additional assistance regarding the transfer of your shares, please telephone the Plan Administrator, and consult your broker or bank about the fees and expenses related to their sale of your shares.

**The price of our common stock fluctuates on a daily basis. The price may rise or fall after you submit your request to sell and prior to the ultimate sale of your shares of our common stock. The price risk will be borne solely by you. You cannot revoke your request to sell once it is made. The Plan Administrator will report to both the IRS and the participant Cost Basis for shares purchased or sold.**

**TERMINATION OF PARTICIPATION****20. How do I terminate my participation in the direct stock purchase feature of the Plan?**

You may discontinue your participation in the direct stock purchase feature of the Plan at any time by notifying the Plan Administrator in writing at its mailing address or via its internet address specified in the answer to Question 2. Upon termination of your Plan account, you will receive a certificate for the whole shares held for you under the Plan free of charge. A cash payment will be made for any fractional shares held in your account at the time of termination based on the current market value less any applicable sales fees. Alternatively, if you so direct, the Plan Administrator will sell all or part of the shares credited to your Plan account by using the transaction stub on the bottom of your statement and mailing it to the address listed in Question 2. You may also make this request via the Plan Administrator's internet site at [www.astfinancial.com](http://www.astfinancial.com).

**FEES AND COMMISSIONS****21. What are the costs of participating in the direct stock purchase feature of the Plan?**

You will not pay any trading fees, brokerage commissions or service fees on common stock purchased through the direct stock purchase feature of the Plan. We will pay all costs of administration of the Plan. You will, however, be responsible for any trading fees, brokerage commissions or service fees paid in connection with your sale of shares from the Plan. Please refer to the following tabular summary of Plan fees and commissions for more information regarding the current costs of participating in the direct stock purchase feature of the Plan:

**Summary of Fees and Commissions**

|  |                             |
|--|-----------------------------|
| Enrollment fee for new investors:  | None                        |
| Issuance or purchase of shares by or from us:                                  | Paid by the Company         |
| Purchase of shares in the open market or in privately negotiated transactions: | Paid by the Company         |
| Sale of shares (partial or full):  | \$15.00 per transaction     |
| Trading fees (applicable when shares are sold in the open market):             | \$0.10 per share            |
| Termination fee:   | \$15.00 per transaction     |
| Gift or transfer of shares:  | None                        |
| Deposit of stock certificates for safekeeping:                                 | \$7.50 per deposit          |
| Issuance of share certificates:  | None                        |
| Returned checks for insufficient funds or rejected automatic withdrawals:      | \$25.00                     |
| Duplicate statements:  | \$25.00 (current year free) |

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The Plan Administrator will deduct the applicable fees or commissions from the proceeds of the sale.

We and the Plan Administrator reserve the right to amend or modify this Plan Service Fee schedule at any time and from time to time.

**REPORTS AND NOTICES TO PARTICIPANTS**

**22. How will I keep track of my investments?**

The Plan Administrator will mail Plan statements after each investment. In addition, a notice will be mailed to you after each issue or purchase, which will include the number of shares issued or purchased and the issue or purchase price. You may also view your transaction history online by logging into your account. Details available online include stock price and transaction type and date.

**You should retain these statements to determine the tax cost basis of the shares purchased for your account under the Plan. In addition, you will receive copies of other communications sent to our stockholders, including our annual report to stockholders, the notice of annual meeting and proxy statement in connection with our annual meeting of stockholders and Internal Revenue Service information for reporting dividends paid.**

You can also view your account history and balance online by accessing the Plan Administrator's website at [www.astfinancial.com](http://www.astfinancial.com).

**23. Where will notices be sent?**

The Plan Administrator will address all of its notices to you at your last known address. You should notify the Plan Administrator promptly, in writing, of any change of address.

**FEDERAL TAX CONSEQUENCES**

**24. What are some of the U.S. federal income tax consequences of a stockholder's participation in the direct stock purchase feature of the Plan?**

A summary of the U.S. federal income tax consequences of holding shares of our common stock is set forth in the section titled "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus. We advise you to consult your own tax advisors to determine the tax consequences particular to your situation, including any applicable state, local or foreign income and other tax consequences that may result from your participation in the direct stock purchase feature of the Plan and your subsequent sale of shares of common stock acquired pursuant to the direct stock purchase feature of the Plan.

**25. What are the effects of the U.S. federal income tax withholding provisions applicable to U.S. stockholders?**

A summary of the effects of the U.S. federal income tax withholding provisions applicable to U.S. stockholders is set forth in the section titled "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus.

**OTHER INFORMATION**

**26. How can I vote my shares?**

You will receive proxy material for all shares in your Plan account. You may vote your shares of common stock either by designating the vote of the shares by proxy or by voting the shares in person at the meeting of stockholders. The proxy will be voted in accordance with your direction. If you do not

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provide voting instructions but timely and properly submit your proxy, all of your shares will be voted in accordance with the recommendations of the board of directors. If you do not return the proxy card or if you return it unsigned, none of your shares will be voted unless you vote in person at the meeting of stockholders.

**27. If we have a rights offering related to the common stock, how will a stockholder's entitlement be computed?**

Your entitlement in a rights offering related to the common stock will be based upon the number of whole shares credited to your Plan account. In the event of a rights offering, transaction processing may be curtailed or suspended by the Plan Administrator for a short period of time following the dividend record date for such action to permit the Plan Administrator to calculate the rights allocable to each account.

Transaction processing may be curtailed or suspended until the completion of any rights offering.

**28. What happens if we declare a dividend payable in stock or declare a stock split?**

**Stock Dividends and Stock Splits.** If dividends or distributions are paid in the form of shares of our common stock, or if shares of our common stock are distributed in connection with any stock split or similar transaction, each account balance will be adjusted to reflect the receipt of shares of our common stock paid or distributed. You will receive a statement indicating the number of shares or amount of cash dividends or distributions paid as a result of the transaction. Transaction processing may either be curtailed or suspended until the completion of any stock dividend, stock split or corporate action.

**Other Capitalization Changes.** If there occurs any other transaction that results in the number of outstanding shares of our common stock being increased or decreased, such as a recapitalization, reclassification, reverse stock split or other combination of shares of our common stock, or other increase or decrease in shares of our common stock effectuated without receipt of consideration by us, each account balance will be adjusted to reflect the results of such transaction. You will receive a statement indicating the effects of such transaction on your account balance.

**29. Can the Plan be amended, modified, suspended or terminated?**

We reserve the right to amend, modify, suspend or terminate the Plan at any time in our sole discretion. You will receive written notice of any material amendment, modification, suspension or termination. We and the Plan Administrator also reserve the right to change any administrative procedures of the Plan in our discretion.

If we terminate the Plan, you will receive a certificate for all whole shares of common stock held in your Plan account and a check representing the value of any fractional shares based on the then-current market price. We also will return to you any uninvested dividends or distributions or optional cash payments held in your Plan account.

We reserve the right to terminate American Stock Transfer & Trust Company LLC as Plan Administrator and appoint another institution to serve as Plan Administrator, or to administer the Plan ourselves. All participants will receive notice of any such change, which may be by e-mail to participants electing to receive communications electronically of any such change.

**30. Are there any risks associated with the Plan?**

See, "Supplementary Risk Factors" elsewhere in this prospectus supplement. Otherwise, your investment through the direct stock purchase feature of the Plan is no different from any investment in shares of our common stock held by you. If you choose to participate in the direct stock purchase

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feature of the Plan, then you should recognize that none of us, our subsidiaries and affiliates, nor the Plan Administrator can assure you of a profit or protect you against loss on the shares that you purchase under the direct stock purchase feature of the Plan. You bear the risk of loss in value and enjoy the benefits of gains with respect to all of your shares. You need to make your own independent investment and participation decisions consistent with your situation and needs. None of us, our subsidiaries and affiliates, nor the Plan Administrator can guarantee liquidity in the markets, and the value and marketability of your shares may be adversely affected by market conditions. For more information regarding risks relating to an investment in shares of our common stock, see "Risk Factors" beginning on page 14 of the accompanying prospectus.

Plan accounts are not insured or protected by the Securities Investor Protection Corporation or any other entity and are not guaranteed by the FDIC or any government agency.

Neither we, our subsidiaries, our affiliates, nor the Plan Administrator will be liable for any act, or for any failure to act, as long as we or they have made good faith efforts to carry out the terms of the Plan, as described in this prospectus supplement and the accompanying prospectus and on the forms that are designed to accompany each investment or activity.

In addition, the purchase price for shares acquired through the direct stock purchase feature of the Plan will vary and cannot be predicted. The purchase price may be different from (more or less than) the price of acquiring shares on the open market on the relevant date. Your investment in direct stock purchase feature of the Plan shares will be exposed to changes in market conditions and changes in the market value of the shares. Your ability to sell both as to timing and pricing terms and related expenses or otherwise liquidate shares under the Plan is subject to the terms of the Plan and the withdrawal procedures. Also, no interest will be paid on dividends, distributions, cash or other funds held by the Plan Administrator pending investment or sale.

**31. What are the responsibilities of Main Street and the Plan Administrator?**

Neither we, our subsidiaries, our affiliates, nor the Plan Administrator will be liable for any act, or for any failure to act, as long as we or they have made good faith efforts to carry out the terms of the direct stock purchase feature of the Plan, as described in this prospectus and on the forms that are designed to accompany each investment or activity. This limitation of liability includes, but is not limited to, any claims of liability for:

failure to terminate an account upon the death of a participant before receiving written notice of such death and a request to terminate participation from a qualified representative of the deceased;

failure by a participant to receive communications regarding the Plan, when the participant fails to update changes to the address or e-mail address on file with the Plan Administrator;

issuance, purchase or sale prices reflected in a participant's Plan account or the dates of issuances, purchases or sales of a participant's Plan shares; or

any fluctuation in the market value of a participant's Plan Shares after any issuance, purchase or sale of shares.

We, any of our agents and the Plan Administrator, will not have any duties, responsibilities or liabilities other than those expressly set forth in the Plan or as imposed by applicable laws, including U.S. federal and state securities laws. Since the Plan Administrator has assumed all responsibility for administering the Plan, we specifically disclaim any responsibility for any of the Plan Administrator's actions or inactions in connection with the administration of the Plan. None of our directors, officers, employees or stockholders will have any personal liability under the Plan.

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We, any of our agents and the Plan Administrator, will be entitled to rely on completed forms and the proof of due authority to participate in the direct stock purchase feature of the Plan, without further responsibility of investigation or inquiry.

**32. How will you interpret and regulate the Plan?**

Our officers are authorized to take any actions that are consistent with the Plan's terms and conditions. We reserve the right to interpret and regulate the Plan as we deem necessary and desirable in connection with the Plan's operations. Any such determination by us will be conclusive and binding on Plan participants.

**33. What law governs the Plan?**

The laws of the State of New York govern the Plan.

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**LEGAL MATTERS**

Certain legal matters regarding the shares of common stock offered hereby will be passed upon for us by Eversheds Sutherland (US) LLP, Washington D.C.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audited consolidated financial statements, financial highlights, Schedule 12-14 and the schedule of Senior Securities of Main Street Capital Corporation, included in this prospectus supplement and elsewhere in the registration statement have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, as stated in their reports appearing herein. Grant Thornton LLP's principal business address is Grant Thornton Tower, 171 North Clark, Suite 200, Chicago, Illinois, 60601.

**AVAILABLE INFORMATION**

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

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



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## INTERIM FINANCIAL STATEMENTS

## MAIN STREET CAPITAL CORPORATION

## Consolidated Balance Sheets

(dollars in thousands, except shares and per share amounts)

|   | March 31,<br>2017<br>(Unaudited) | December 31,<br>2016 |
|---|----------------------------------|----------------------|
| <b>ASSETS</b>   |                                  |                      |
| Portfolio investments at fair value:  |                                  |                      |
| Control investments (cost: \$491,749 and \$439,674 as of March 31, 2017 and December 31, 2016, respectively)  | \$ 658,239                       | \$ 594,282           |
| Affiliate investments (cost: \$373,895 and \$394,699 as of March 31, 2017 and December 31, 2016, respectively)  | 329,024                          | 375,948              |
| Non-Control/Non-Affiliate investments (cost: \$1,010,832 and \$1,037,510 as of March 31, 2017 and December 31, 2016, respectively)  | 992,115                          | 1,026,676            |
| Total investments (cost: \$1,876,476 and \$1,871,883 as of March 31, 2017 and December 31, 2016, respectively)  | 1,979,378                        | 1,996,906            |
| Cash and cash equivalents   | 33,605                           | 24,480               |
| Interest receivable and other assets  | 37,560                           | 35,133               |
| Receivable for securities sold  | 8,604                            | 1,990                |
| Deferred financing costs (net of accumulated amortization of \$12,205 and \$11,547 as of March 31, 2017 and December 31, 2016, respectively)  | 12,603                           | 12,645               |
| Deferred tax asset, net   | 4,739                            | 9,125                |
| Total assets  | \$ 2,076,489                     | \$ 2,080,279         |
| <b>LIABILITIES</b>  |                                  |                      |
| Credit facility   | \$ 288,000                       | \$ 343,000           |
| SBIC debentures (par: \$240,200 and \$240,000 as of March 31, 2017 and December 31, 2016, respectively. Par of \$50,000 and \$75,200 is recorded at a fair value of \$49,155 and \$74,803 as of March 31, 2017 and December 31, 2016, respectively)   | 239,355                          | 239,603              |
| 4.50% Notes   | 175,000                          | 175,000              |
| 6.125% Notes  | 90,655                           | 90,655               |
| Accounts payable and other liabilities  | 11,758                           | 14,205               |
| Payable for securities purchased  | 14,064                           | 2,184                |
| Interest payable  | 3,471                            | 4,103                |
| Dividend payable  | 10,252                           | 10,048               |
| Total liabilities   | 832,555                          | 878,798              |
| Commitments and contingencies (Note M)  |                                  |                      |
| <b>NET ASSETS</b>   |                                  |                      |
| Common stock, \$0.01 par value per share (150,000,000 shares authorized; 55,423,375 and 54,312,444 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)  | 554                              | 543                  |
| Additional paid-in capital  | 1,185,478                        | 1,143,883            |
| Accumulated net investment income, net of cumulative dividends of \$532,336 and \$521,297 as of March 31, 2017 and December 31, 2016, respectively  | 33,943                           | 19,033               |
| Accumulated net realized gain from investments (accumulated net realized gain from investments of \$75,959 before cumulative dividends of \$126,845 as of March 31, 2017 and accumulated net realized gain from investments of \$48,394 before cumulative dividends of \$107,281 as of December 31, 2016) | (50,886)                         | (58,887)             |
| Net unrealized appreciation, net of income taxes  | 74,845                           | 96,909               |

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|                                  |  |              |    |           |
|----------------------------------|--|--------------|----|-----------|
| Total net assets                 |  | 1,243,934    |    | 1,201,481 |
| Total liabilities and net assets |  | \$ 2,076,489 | \$ | 2,080,279 |
| <b>NET ASSET VALUE PER SHARE</b> |  | \$ 22.44     | \$ | 22.10     |

The accompanying notes are an integral part of these consolidated financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Operations

(dollars in thousands, except shares and per share amounts)

(Unaudited)

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2017                            | 2016      |
| <b>INVESTMENT INCOME:</b>   |                                 |           |
| Interest, fee and dividend income:  |                                 |           |
| Control investments   | \$ 12,988                       | \$ 12,615 |
| Affiliate investments   | 9,899                           | 8,523     |
| Non-Control/Non-Affiliate investments   | 25,002                          | 20,737    |
| Interest, fee and dividend income   | 47,889                          | 41,875    |
| Interest, fee and dividend income from marketable securities and idle funds investments |                                 | 131       |
| Total investment income   | 47,889                          | 42,006    |
| <b>EXPENSES:</b>  |                                 |           |
| Interest  | (8,608)                         | (8,182)   |
| Compensation  | (4,430)                         | (3,820)   |
| General and administrative  | (2,940)                         | (2,405)   |
| Share-based compensation  | (2,269)                         | (1,589)   |
| Expenses allocated to the External Investment Manager                                   | 1,524                           | 1,154     |
| Total expenses  | (16,723)                        | (14,842)  |
| <b>NET INVESTMENT INCOME</b>  | 31,166                          | 27,164    |
| <b>NET REALIZED GAIN (LOSS):</b>  |                                 |           |
| Control investments   | (682)                           | 14,358    |
| Affiliate investments   | 22,930                          |           |
| Non-Control/Non-Affiliate investments   | 5,317                           | 818       |
| Marketable securities and idle funds investments  |                                 | (1,573)   |
| SBIC debentures   | (5,217)                         |           |
| Total net realized gain   | 22,348                          | 13,603    |
| <b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>                            |                                 |           |
| Portfolio investments   | (22,091)                        | (27,529)  |
| Marketable securities and idle funds investments  |                                 | 1,457     |
| SBIC debentures   | 5,665                           | (146)     |
| Total net change in unrealized depreciation   | (16,426)                        | (26,218)  |
| <b>INCOME TAXES:</b>  |                                 |           |
| Federal and state income, excise and other taxes  | (1,252)                         | (370)     |
| Deferred taxes  | (4,386)                         | 2,633     |
| Income tax benefit (provision)  | (5,638)                         | 2,263     |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                             | \$ 31,450                       | \$ 16,812 |

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|  |    |      |    |      |
|--|----|------|----|------|
| <b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b> | \$ | 0.57 | \$ | 0.54 |
|--|----|------|----|------|

|   |    |      |    |      |
|---|----|------|----|------|
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE BASIC AND DILUTED</b> | \$ | 0.57 | \$ | 0.33 |
|---|----|------|----|------|

**DIVIDENDS PAID PER SHARE:**

|                           |    |       |    |       |
|---------------------------|----|-------|----|-------|
| Regular monthly dividends | \$ | 0.555 | \$ | 0.540 |
|---------------------------|----|-------|----|-------|

Supplemental dividends

|                 |    |       |    |       |
|-----------------|----|-------|----|-------|
| Total dividends | \$ | 0.555 | \$ | 0.540 |
|-----------------|----|-------|----|-------|

|  |  |            |  |            |
|--|--|------------|--|------------|
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b> |  | 55,125,170 |  | 50,549,780 |
|--|--|------------|--|------------|

The accompanying notes are an integral part of these consolidated financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Statements of Changes in Net Assets

(dollars in thousands, except shares)

(Unaudited)

|  | Common Stock        |              |                                  | Accumulated<br>Net<br>Investment<br>Income, Net<br>of Dividends | Accumulated<br>Net<br>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, 2015</b>                             | 50,413,744          | \$ 504       | \$ 1,011,467                     | \$ 7,181  | \$ (49,653)  | \$ 101,395   | \$ 1,070,894             |
| Public offering of common stock,<br>net of offering costs        | 321,714             | 3            | 9,778                            |   |  |  | 9,781                    |
| Share-based compensation   |                     |              | 1,589                            |   |  |  | 1,589                    |
| Dividend reinvestment  | 113,631             | 1            | 3,255                            |   |  |  | 3,256                    |
| Amortization of directors' deferred<br>compensation              |                     |              | 144                              |   |  |  | 144                      |
| Issuance of restricted stock, net of<br>forfeited shares         | (3,089)             |              |                                  |   |  |  |                          |
| Dividends to stockholders  |                     |              |                                  | (27,284)  |  |  | (27,284)                 |
| Cumulative-effect to retained<br>earnings for excess tax benefit |                     |              |                                  |   |  | 1,806  | 1,806                    |
| Net increase (decrease) resulting<br>from operations             |                     |              |                                  | 27,164  | 13,603   | (23,955)   | 16,812                   |
| <b>Balances at March 31, 2016</b>                                | 50,846,000          | \$ 508       | \$ 1,026,233                     | \$ 7,061  | \$ (36,050)  | \$ 79,246  | \$ 1,076,998             |
| <b>Balances at December 31, 2016</b>                             | 54,354,857          | \$ 543       | \$ 1,143,883                     | \$ 19,033   | \$ (58,887)  | \$ 96,909  | \$ 1,201,481             |
| Public offering of common stock,<br>net of offering costs        | 1,035,286           | 11           | 37,700                           |   |  |  | 37,711                   |
| Share-based compensation   |                     |              | 2,269                            |   |  |  | 2,269                    |
| Purchase of vested stock for<br>employee payroll tax withholding | (8,964)             |              | (343)                            |   |  |  | (343)                    |
| Dividend reinvestment  | 48,675              |              | 1,806                            |   |  |  | 1,806                    |
| Amortization of directors' deferred<br>compensation              |                     |              | 163                              |   |  |  | 163                      |
| Forfeited shares of terminated<br>employees                      | (6,479)             |              |                                  |   |  |  |                          |
| Dividends to stockholders  |                     |              |                                  | (11,039)  | (19,564)   |  | (30,603)                 |
| Net increase (decrease) resulting<br>from operations             |                     |              |                                  | 25,949  | 27,565   | (22,064)   | 31,450                   |
| <b>Balances at March 31, 2017</b>                                | 55,423,375          | \$ 554       | \$ 1,185,478                     | \$ 33,943   | \$ (50,886)  | \$ 74,845  | \$ 1,243,934             |

The accompanying notes are an integral part of these consolidated financial statements



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

(dollars in thousands)

(Unaudited)

|   | <b>Three Months Ended<br/>March 31,</b> |                  |
|---|---|------------------|
|   | <b>2017</b>                             | <b>2016</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                  |
| Net increase in net assets resulting from operations  | \$ 31,450                               | \$ 16,812        |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities: |   |                  |
| Investments in portfolio companies  | (186,922)                               | (113,945)        |
| Proceeds from sales and repayments of debt investments in portfolio companies   | 184,487                                 | 69,028           |
| Proceeds from sales and return of capital of equity investments in portfolio companies  | 37,041                                  | 21,891           |
| Proceeds from sales and repayments of marketable securities and idle funds investments  |   | 559              |
| Net change in net unrealized depreciation   | 16,426                                  | 26,218           |
| Net realized gain   | (22,348)                                | (13,603)         |
| Accretion of unearned income  | (4,703)                                 | (1,921)          |
| Payment-in-kind interest  | (1,607)                                 | (1,303)          |
| Cumulative dividends  | (877)                                   | (321)            |
| Share-based compensation expense  | 2,269                                   | 1,589            |
| Amortization of deferred financing costs  | 658                                     | 644              |
| Deferred tax (benefit) provision  | 4,386                                   | (2,633)          |
| Changes in other assets and liabilities:  |   |                  |
| Interest receivable and other assets  | (2,175)                                 | (2,390)          |
| Interest payable  | (632)                                   | 1,226            |
| Accounts payable and other liabilities  | (2,284)                                 | (6,269)          |
| Deferred fees and other   | 597                                     | 632              |
| Net cash provided by (used in) operating activities   | 55,766                                  | (3,786)          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |                  |
| Proceeds from public offering of common stock, net of offering costs  | 37,711                                  | 9,781            |
| Dividends paid  | (28,593)                                | (23,990)         |
| Proceeds from issuance of SBIC debentures   | 25,400                                  |                  |
| Repayments of SBIC debentures   | (25,200)                                |                  |
| Proceeds from credit facility   | 83,000                                  | 70,000           |
| Repayments on credit facility   | (138,000)                               | (55,000)         |
| Payment of deferred loan costs and SBIC debenture fees  | (616)                                   |                  |
| Purchases of vested stock for employee payroll tax withholding  | (343)                                   |                  |
| Other   |   | (113)            |
| Net cash provided by (used in) financing activities   | (46,641)                                | 678              |
| Net increase (decrease) in cash and cash equivalents  | 9,125                                   | (3,108)          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>   | <b>24,480</b>                           | <b>20,331</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <b>\$ 33,605</b>                        | <b>\$ 17,223</b> |

**Supplemental cash flow disclosures:**

|               |          |          |
|---------------|----------|----------|
| Interest paid | \$ 8,552 | \$ 6,282 |
| Taxes paid    | \$ 1,677 | \$ 1,172 |

**Non-cash financing activities:**

|                                    |    |       |    |       |
|------------------------------------|----|-------|----|-------|
| Shares issued pursuant to the DRIP | \$ | 1,806 | \$ | 3,256 |
|------------------------------------|----|-------|----|-------|

The accompanying notes are an integral part of these consolidated financial statements

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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% Current / 5% PIK Secured Debt<br>(Maturity July 22, 2020)<br>Preferred Member Units (6,750,000<br>units; 12% cumulative)<br>Member Units (45 units)  | \$ 22,946           | \$ 22,946<br>6,644<br>1      | \$ 19,470<br>220<br>1        |
|  |   |   |                     | 29,591                       | 19,690                       |
| <b>Ameritech College Operations, LLC</b> | For-Profit Nursing and<br>Healthcare College              | 10% Secured Debt<br>(Maturity November 30, 2019)<br>13% Secured Debt<br>(Maturity November 30, 2019)<br>13% Secured Debt (Maturity January 31,<br>2020)<br>Preferred Member Units (2,936 units) | 514<br>489<br>3,025 | 514<br>489<br>3,025<br>6,191 | 514<br>489<br>3,025<br>2,810 |
|  |   |   |                     | 10,219                       | 6,838                        |
| <b>ASC Interests, LLC</b>                | Recreational and<br>Educational Shooting<br>Facility      | 11% Secured Debt (Maturity July 31,<br>2018)<br>Member Units (1,500 units)(8)   | 2,050               | 2,036<br>1,500               | 2,050<br>2,740               |
|  |   |   |                     | 3,536                        | 4,790                        |
| <b>Bond-Coat, Inc.</b>                   | Casing and Tubing<br>Coating Services                     | 12% Secured Debt<br>(Maturity December 28, 2017)<br>Common Stock (57,508 shares)  | 11,596              | 11,566<br>6,350              | 11,596<br>7,600              |
|  |   |   |                     | 17,916                       | 19,196                       |
| <b>Café Brazil, LLC</b>                  | Casual Restaurant Group                                   | Member Units (1,233 units)(8)   |                     | 1,742                        | 5,900                        |
| <b>CBT Nuggets, LLC</b>                  | Produces and Sells IT<br>Training Certification<br>Videos | Member Units (416 units)(8)   |                     | 1,300                        | 60,620                       |
| <b>Charps, LLC</b>                       | Pipeline Maintenance<br>and Construction                  |   |                     |                              |                              |

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|   |        |        |        |
|---|--------|--------|--------|
| LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity February 3, 2022)(9) | 800    | 781    | 781    |
| 12% Secured Debt (Maturity February 3,<br>2022)   | 18,400 | 18,220 | 18,220 |
| Preferred Member Units (1,600 units)  |        | 400    | 400    |
|   |        | 19,401 | 19,401 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Clad-Rex Steel, LLC</b>          | Specialty Manufacturer of Vinyl-Clad Metal           | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2018)(9) | 400                 | 397            | 397               |
|                                     |  | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2021)(9) | 14,080              | 13,946         | 13,946            |
|                                     |  | Member Units (717 units)  |                     | 7,280          | 7,280             |
|                                     |  | 10% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity December 20, 2036)                     | 1,198               | 1,186          | 1,186             |
|                                     |  | Member Units (Clad-Rex Steel RE Investor, LLC) (800 units)  |                     | 210            | 210               |
|                                     |  |   |                     | 23,019         | 23,019            |
| <b>CMS Minerals Investments</b>     | Oil & Gas Exploration & Production                   | Preferred Member Units (CMS Minerals LLC) (458 units)(8)  |                     | 2,009          | 3,271             |
|                                     |  | Member Units (CMS Minerals II, LLC) (100 units)(8)  |                     | 3,716          | 3,120             |
|                                     |  |   |                     | 5,725          | 6,391             |
| <b>Datacom, LLC</b>                 | Technology and Telecommunications Provider           | 8% Secured Debt (Maturity May 30, 2017)   | 1,080               | 1,080          | 1,080             |
|                                     |  | 5.25% Current / 5.25% PIK Secured Debt (Maturity May 30, 2019)                                      | 11,867              | 11,811         | 11,490            |
|                                     |  | Class A Preferred Member Units (15% cumulative)   |                     | 1,181          | 1,419             |
|                                     |  | Class B Preferred Member Units (6,453 units)  |                     | 6,030          | 1,861             |
|                                     |  |   |                     | 20,102         | 15,850            |
| <b>Gamber-Johnson Holdings, LLC</b> | Manufacturer of Ruggedized Computer Mounting Systems | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity June 24, 2021)(9)    | 24,080              | 23,856         | 24,080            |
|                                     |  | Member Units (8,619 units)(8)   |                     | 14,844         | 22,080            |
|                                     |  |   |                     | 38,700         | 46,160            |

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|                     |  |   |       |       |       |
|---------------------|--|---|-------|-------|-------|
| <b>Garreco, LLC</b> | Manufacturer and Supplier of Dental Products | LIBOR Plus 12.00% (Floor 1.00%),<br>Current Coupon 13.15%, Secured Debt<br>(Maturity March 31, 2020)(9) | 6,025 | 5,969 | 5,969 |
|                     |  | Member Units (1,200 units)  |       | 1,200 | 1,470 |
|                     |  |   |       | 7,169 | 7,439 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>                  | Manufacturer of Engineered Rubber Products                      | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity December 19, 2019)(9)<br>Member Units (5,879 units)(8) | 13,065              | 12,986<br>13,065 | 13,065<br>20,310  |
|   |   |  |                     | 26,051           | 33,375            |
| <b>Gulf Manufacturing, LLC</b>                      | Manufacturer of Specialty Fabricated Industrial Piping Products | 9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017)<br>Member Units (438 units)(8)                                      | 777                 | 777<br>2,980     | 777<br>9,190      |
|   |   |  |                     | 3,757            | 9,967             |
| <b>Gulf Publishing Holdings, LLC</b>                | Energy Industry Focused Media and Publishing                    | 12.5% Secured Debt (Maturity April 29, 2021)<br>Member Units (3,124 units)   | 10,000              | 9,915<br>3,124   | 9,915<br>3,460    |
|   |   |  |                     | 13,039           | 13,375            |
| <b>Harborside Holdings, LLC</b>                     | Real Estate Holding Company                                     | Member units (100 units)   |                     | 6,056            | 9,400             |
| <b>Harrison Hydra-Gen, Ltd.</b>                     | Manufacturer of Hydraulic Generators                            | Common Stock (107,456 shares)(8)   |                     | 718              | 2,800             |
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Facilitator of Import Logistics, Brokerage, and Warehousing     | Member Units (500 units)<br>Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)   |                     | 589<br>1,215     | 280<br>2,040      |
|   |   |  |                     | 1,804            | 2,320             |
| <b>HW Temps LLC</b>                                 | Temporary Staffing Solutions                                    | LIBOR Plus 13.00% (Floor 1.00%),<br>Current Coupon 14.00%, Secured Debt<br>(Maturity July 2, 2020)(9)                                      | 9,976               | 9,904            | 9,904             |

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|   |        |        |
|---|--------|--------|
| Preferred Member Units (3,200 units)(8) | 3,942  | 3,940  |
|   | 13,846 | 13,844 |

|                       |   |                                |       |        |
|-----------------------|---|--------------------------------|-------|--------|
| <b>Hydratec, Inc.</b> | Designer and Installer of<br>Micro-Irrigation Systems | Common Stock (7,095 shares)(8) | 7,095 | 15,640 |
|-----------------------|---|--------------------------------|-------|--------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>IDX Broker, LLC</b>                     | Provider of Marketing and CRM Tools for the Real Estate Industry | 12.5% Secured Debt (Maturity November 15, 2018)   | 10,650              | 10,610         | 10,650            |
|  |  | Member Units (5,400 units)(8)   |                     | 5,606          | 8,200             |
|  |  |   |                     | 16,216         | 18,850            |
| <b>Indianapolis Aviation Partners, LLC</b> | Fixed Base Operator  | 15% Secured Debt (Maturity April 15, 2017)  | 3,100               | 3,100          | 3,100             |
|  |  | Warrants (1,046 equivalent units)   |                     | 1,129          | 2,710             |
|  |  |   |                     | 4,229          | 5,810             |
| <b>Jensen Jewelers of Idaho, LLC</b>       | Retail Jewelry Store   | Prime Plus 6.75% (Floor 2.00%), Current Coupon 10.50%, Secured Debt (Maturity November 14, 2019)(9) | 3,905               | 3,850          | 3,905             |
|  |  | Member Units (627 units)(8)   |                     | 811            | 4,460             |
|  |  |   |                     | 4,661          | 8,365             |
| <b>Lamb Ventures, LLC</b>                  | Aftermarket Automotive Services Chain                            | LIBOR Plus 5.75%, Current Coupon 6.56%, Secured Debt (Maturity May 30, 2018)                        | 305                 | 305            | 305               |
|  |  | 11% Secured Debt (Maturity May 31, 2018)  | 7,579               | 7,579          | 7,579             |
|  |  | Preferred Equity (non-voting) Member Units (742 units)(8)   |                     | 400            | 400               |
|  |  | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity March 31, 2027)                  | 432                 | 428            | 428               |
|  |  | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                                |                     | 625            | 960               |
|  |  |   |                     | 14,610         | 15,862            |
| <b>Marine Shelters Holdings, LLC</b>       | Fabricator of Marine and Industrial Shelters                     | 12% PIK Secured Debt (Maturity December 28, 2017)(14)   | 3,131               | 3,078          |                   |
|  |  | Preferred Member Units (3,810 units)  |                     | 5,352          |                   |
|  |  |   |                     | 8,430          |                   |

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|                              |   |  |        |        |        |
|------------------------------|---|--|--------|--------|--------|
| <b>MH Corbin Holding LLC</b> | Manufacturer and<br>Distributor of Traffic<br>Safety Products | 10% Secured Debt (Maturity August 31,<br>2020) | 13,125 | 13,030 | 13,030 |
|                              |   | Preferred Member Units (4,000 shares)          |        | 6,000  | 6,000  |
|                              |   |  |        | 19,030 | 19,030 |
|                              |   |  |        |        |        |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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 (3,554 units)   |                     | 1,810          | 1,980             |
|  |   | 9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)                          | 825                 | 825            | 825               |
|  |   | Member Units (Mid-Columbia Real Estate, LLC) (500 units)(8)  |                     | 790            | 1,220             |
|  |   |  |                     | 9,075          | 9,675             |
| <b>MSC Adviser I, LLC(16)</b>            | Third Party Investment Advisory Services                              | Member Units (Fully diluted 100.0%)(8)   |                     |                | 33,472            |
| <b>Mystic Logistics Holdings, LLC</b>    | Logistics and Distribution Services Provider for Large Volume Mailers | 12% Secured Debt (Maturity August 15, 2019)  | 9,164               | 9,051          | 9,164             |
|  |   | Common Stock (5,873 shares)  |                     | 2,720          | 6,170             |
|  |   |  |                     | 11,771         | 15,334            |
| <b>NAPCO Precast, LLC</b>                | Precast Concrete Manufacturing  | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2019)(9)  | 2,713               | 2,695          | 2,713             |
|  |   | 18% Secured Debt (Maturity February 1, 2019)   | 3,952               | 3,925          | 3,952             |
|  |   | Member Units (2,955 units)(8)  |                     | 2,975          | 10,920            |
|  |   |  |                     | 9,595          | 17,585            |
| <b>NRI Clinical Research, LLC</b>        | Clinical Research Service Provider                                    | LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity September 8, 2017)(9) | 400                 | 400            | 400               |
|  |   | 14% Secured Debt (Maturity September 8, 2017)  | 4,261               | 4,239          | 4,261             |
|  |   | Warrants (251,723 equivalent units)  |                     | 252            | 680               |
|  |   | Member Units (500,000 units)   |                     | 765            | 2,462             |

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|                       |  |        |        |        |
|-----------------------|--|--------|--------|--------|
|                       |  |        | 5,656  | 7,803  |
| <b>NRP Jones, LLC</b> | <b>Manufacturer of Hoses,<br/>Fittings and Assemblies</b>            |        |        |        |
|                       | 8% Current / 4% PIK Secured Debt<br>(Maturity December 22, 2016)(17) | 14,054 | 14,054 | 14,054 |
|                       | Warrants (14,331 equivalent units)                                   |        | 817    | 130    |
|                       | Member Units (50,877 units)  |        | 2,900  | 410    |
|                       |  |        | 17,771 | 14,594 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>NuStep, LLC</b>                  | Designer, Manufacturer and Distributor of Fitness Equipment         | 12% Secured Debt (Maturity January 31, 2022)   | 20,600              | 20,394         | 20,394            |
|                                     |   | Preferred Member Units (406 units)   |                     | 10,200         | 10,200            |
|                                     |   |  |                     | 30,594         | 30,594            |
| <b>OMi Holdings, Inc.</b>           | Manufacturer of Overhead Cranes                                     | Common Stock (1,500 shares)(8)   |                     | 1,080          | 13,080            |
| <b>Pegasus Research Group, LLC</b>  | Provider of Telemarketing and Data Services                         | Member Units (460 units)(8)  |                     | 1,290          | 8,440             |
| <b>PPL RVs, Inc.</b>                | Recreational Vehicle Dealer   | LIBOR Plus 7.00% (Floor 0.50%), Current Coupon 8.05%, Secured Debt (Maturity November 15, 2021)(9) | 18,000              | 17,834         | 17,834            |
|                                     |   | Common Stock (1,962 shares)(8)   |                     | 2,150          | 11,780            |
|                                     |   |  |                     | 19,984         | 29,614            |
| <b>Principle Environmental, LLC</b> | Noise Abatement Service Provider                                    | 12% Secured Debt (Maturity April 30, 2017)   | 4,060               | 4,060          | 4,060             |
|                                     |   | 12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)  | 3,394               | 3,394          | 3,394             |
|                                     |   | Preferred Member Units (19,631 units)  |                     | 4,600          | 6,260             |
|                                     |   | Warrants (1,036 equivalent units)  |                     | 1,200          | 320               |
|                                     |   |  |                     | 13,254         | 14,034            |
| <b>Quality Lease Service, LLC</b>   | Provider of Rigsite Accommodation Unit Rentals and Related Services | 8% PIK Secured Debt (Maturity June 8, 2020)  | 7,204               | 7,204          | 7,204             |
|                                     |   | Member Units (1,000 units)   |                     | 2,168          | 4,239             |
|                                     |   |  |                     | 9,372          | 11,443            |
| <b>River Aggregates, LLC</b>        |   |  |                     |                |                   |

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Processor of  
Construction Aggregates

|  |     |       |       |
|--|-----|-------|-------|
| Zero Coupon Secured Debt<br>(Maturity June 30, 2018) | 750 | 646   | 646   |
| Member Units (1,150 units)(8)                        |     | 1,150 | 4,600 |
| Member Units (RA Properties, LLC)<br>(1,500 units)   |     | 369   | 2,510 |
|  |     | 2,165 | 7,756 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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> | Provider of In-Home Pediatric Durable Medical Equipment           | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity October 31, 2019)(9)  | 7,140               | 7,099          | 7,140             |
|                                       |   | Member Units (4,450 units)(8)   |                     | 4,930          | 9,170             |
|                                       |   |   |                     | 12,029         | 16,310            |
| <b>The MPI Group, LLC</b>             | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 2, 2018)  | 2,924               | 2,922          | 2,922             |
|                                       |   | Series A Preferred Units (2,500 units;<br>10% Cumulative)<br>Warrants (1,424 equivalent units)<br>Member Units (MPI Real Estate Holdings, LLC) (100 units)(8) |                     | 2,500<br>1,096 |                   |
|                                       |   |   |                     | 2,300          | 2,390             |
|                                       |   |   |                     | 8,818          | 5,312             |
| <b>Uvalco Supply, LLC</b>             | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019)  | 756                 | 756            | 756               |
|                                       |   | Member Units (1,867 units)(8)   |                     | 3,579          | 4,307             |
|                                       |   |   |                     | 4,335          | 5,063             |
| <b>Vision Interests, Inc.</b>         | Manufacturer / Installer of Commercial Signage                    | 13% Secured Debt<br>(Maturity December 23, 2018)  | 2,814               | 2,814          | 2,814             |
|                                       |   | Series A Preferred Stock (3,000,000 shares)<br>Common Stock (1,126,242 shares)  |                     | 3,000<br>3,706 | 3,000             |
|                                       |   |   |                     | 9,520          | 5,814             |
| <b>Ziegler's NYPD, LLC</b>            | Casual Restaurant Group   | 6.5% Secured Debt (Maturity October 1, 2019)  | 1,000               | 994            | 994               |
|                                       |   | 12% Secured Debt (Maturity October 1, 2019)   | 300                 | 300            | 300               |
|                                       |   | 14% Secured Debt (Maturity October 1, 2019)   | 2,750               | 2,750          | 2,750             |
|                                       |   | Warrants (587 equivalent units)   |                     | 600            | 240               |

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|  |                   |                   |
|--|-------------------|-------------------|
| Preferred Member Units (10,072 units)  | 2,834             | 4,100             |
|  | 7,478             | 8,384             |
| <b>Subtotal Control Investments (33.3% of total investments at fair value)</b> | <b>\$ 491,749</b> | <b>\$ 658,239</b> |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Affiliate Investments(6)</u></b>      |   |   |                     |                                |                                  |
| <b>AFG Capital Group, LLC</b>               | Provider of Rent-to-Own Financing Solutions and Services                              | Warrants (42 equivalent units)<br>Member Units (186 units)(8)   |                     | \$ 259<br>1,200                | \$ 690<br>2,850                  |
|   |   |   |                     | 1,459                          | 3,540                            |
| <b>Barfly Ventures, LLC(10)</b>             | Casual Restaurant Group   | 12% Secured Debt (Maturity August 31, 2020)<br>Options (2 equivalent units)<br>Warrant (1 equivalent unit)  | 7,796               | 7,667<br>397<br>473            | 7,635<br>490<br>280              |
|   |   |   |                     | 8,537                          | 8,405                            |
| <b>BBB Tank Services, LLC</b>               | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity April 8, 2021)(9)<br>15% Secured Debt (Maturity April 8, 2021)<br>Member Units (800,000 units)  | 800<br>4,027        | 797<br>3,992<br>800            | 797<br>3,992<br>800              |
|   |   |   |                     | 5,589                          | 5,589                            |
| <b>Boss Industries, LLC</b>                 | Manufacturer and Distributor of Air, Power and Other Industrial Equipment             | Preferred Member Units (2,242 units)(8)   |                     | 2,473                          | 2,920                            |
| <b>Bridge Capital Solutions Corporation</b> | Financial Services and Cash Flow Solutions Provider                                   | 13% Secured Debt (Maturity July 25, 2021)<br>Warrants (63 equivalent shares)<br>13% Secured Debt (Mercury Service Group, LLC) (Maturity July 25, 2021)<br>Preferred Member Units (Mercury Service Group, LLC) (17,742 units)(8) | 7,500<br>1,000      | 5,673<br>2,132<br>991<br>1,000 | 5,673<br>3,370<br>1,000<br>1,000 |
|   |   |   |                     | 9,796                          | 11,043                           |

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|                    |                         |  |        |        |        |
|--------------------|-------------------------|--|--------|--------|--------|
| <b>Buca C, LLC</b> | Casual Restaurant Group | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity June 30, 2020)(9) | 21,204 | 21,058 | 21,058 |
|                    |                         | Preferred Member Units (6 units; 6%<br>cumulative)(8)  |        | 3,995  | 3,990  |
|                    |                         |  |        | 25,053 | 25,048 |
|                    |                         |  |        |        |        |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>CAI Software LLC</b>                             | Provider of Specialized Enterprise Resource Planning Software | 12% Secured Debt (Maturity October 10, 2019)  | 3,483               | 3,463          | 3,483             |
|   |   | Member Units (65,356 units)(8)  |                     | 654            | 2,580             |
|   |   |   |                     | 4,117          | 6,063             |
| <b>CapFusion, LLC(13)</b>                           | Non-Bank Lender to Small Businesses                           | 13% Secured Debt (Maturity March 25, 2021)  | 14,400              | 13,252         | 13,252            |
|   |   | Warrants (1,600 equivalent units)   |                     | 1,200          | 1,200             |
|   |   |   |                     | 14,452         | 14,452            |
| <b>Chandler Signs Holdings, LLC(10)</b>             | Sign Manufacturer   | 12% Secured Debt (Maturity July 4, 2021)  | 4,500               | 4,463          | 4,500             |
|   |   | Class A Units (1,500,000 units)(8)  |                     | 1,500          | 3,240             |
|   |   |   |                     | 5,963          | 7,740             |
| <b>Condit Exhibits, LLC</b>                         | Tradeshaw Exhibits / Custom Displays Provider                 | Member Units (3,936 units)(8)   |                     | 100            | 1,840             |
| <b>Congruent Credit Opportunities Funds(12)(13)</b> | Investment Partnership  | LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  |                     | 5,730          | 1,377             |
|   |   | LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) |                     | 17,869         | 18,577            |
|   |   |   |                     | 23,599         | 19,954            |
| <b>Dos Rios Partners(12)(13)</b>                    | Investment Partnership  | LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)                          |                     | 5,996          | 5,629             |
|   |   | LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)                         |                     | 1,904          | 1,651             |
|   |   |   |                     | 7,900          | 7,280             |
| <b>Dos Rios Stone Products LLC(10)</b>              |   |   |                     |                |                   |

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|  |   |   |       |                      |
|--|---|---|-------|----------------------|
|  | Limestone and Sandstone<br>Dimension Cut Stone<br>Mining Quarries | Class A Units (2,000,000 units)(8)  | 2,000 | 2,070                |
| <b>East Teak Fine Hardwoods, Inc.</b>        | Distributor of Hardwood<br>Products                               | Common Stock (6,250 shares)(8)  | 480   | 750                  |
| <b>East West Copolymer &amp; Rubber, LLC</b> | Manufacturer of<br>Synthetic Rubbers                              | 12% Current / 2% PIK Secured Debt<br>(Maturity October 17, 2019)(14)<br>Warrants (2,510,790 equivalent units) | 9,699 | 9,591<br>50<br>2,240 |
|  |   |   | 9,641 | 2,240                |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>EIG Fund Investments(12)(13)</b>            | Investment Partnership  | LP Interests (EIG Global Private Debt Fund-A, L.P.) (Fully diluted 11.1%)(8) |                     | 1,565          | 1,466             |
|  |   | LP Interests (EIG Traverse Co-Investment, L.P.) (Fully diluted 22.2%)(8)     |                     | 9,805          | 9,973             |
|  |   |  |                     | 11,370         | 11,439            |
| <b>Freeport Financial Funds(12)(13)</b>        | Investment Partnership  | LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)       |                     | 5,974          | 5,675             |
|  |   | LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.0%)(8)  |                     | 7,559          | 7,507             |
|  |   |  |                     | 13,533         | 13,182            |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b> | Purchases and Manages Collection of Healthcare and other Business Receivables | 10.5% Secured Debt (Maturity January 1, 2019)                                | 12,900              | 12,900         | 11,950            |
|  |   | Warrants (29,032 equivalent units)   |                     | 400            |                   |
|  |   |  |                     | 13,300         | 11,950            |
| <b>Glowpoint, Inc.</b>                         | Provider of Cloud Managed Video Collaboration Services                        | 12% Secured Debt (Maturity October 18, 2018)                                 | 9,000               | 8,957          | 3,010             |
|  |   | Common Stock (7,711,517 shares)  |                     | 3,958          | 2,270             |
|  |   |  |                     | 12,915         | 5,280             |
| <b>Guerdon Modular Holdings, Inc.</b>          | Multi-Family and Commercial Modular Construction Company                      | 13% Secured Debt (Maturity August 13, 2019)                                  | 10,708              | 10,603         | 10,603            |
|  |   | Preferred Stock (404,998 shares)   |                     | 1,140          | 1,140             |
|  |   | Common Stock (212,033 shares)  |                     | 2,983          | 80                |
|  |   |  |                     | 14,726         | 11,823            |
| <b>Hawk Ridge Systems, LLC(13)</b>             | Value-Added Reseller of Engineering Design and Manufacturing Solutions        |  |                     |                |                   |

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|  |        |        |        |
|--|--------|--------|--------|
| 10% Secured Debt (Maturity December 2, 2021)           | 10,000 | 9,905  | 9,905  |
| Preferred Member Units (226 units)(8)                  |        | 2,850  | 2,850  |
| Preferred Member Units (HRS Services, ULC) (226 units) |        | 150    | 150    |
|  |        | 12,905 | 12,905 |

|  |   |       |       |
|--|---|-------|-------|
| <b>Houston Plating and Coatings, LLC</b> | Provider of Plating and Industrial Coating Services |       |       |
|  | Member Units (265,756 units)                        | 1,429 | 4,230 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>I-45 SLF LLC(12)(13)</b>                 | Investment Partnership   | Member Units (Fully diluted 20.0%; 24.4% profits interest)(8) |                     | 15,200         | 15,907            |
| <b>Indianhead Pipeline Services, LLC</b>    | Provider of Pipeline Support Services                                  | 12% Secured Debt (Maturity February 6, 2018)                  | 5,417               | 5,417          | 5,417             |
|   |  | Preferred Member Units (33,819 units; 8% cumulative)(8)       |                     | 2,437          | 2,775             |
|   |  | Warrants (31,928 equivalent units)                            |                     | 459            |                   |
|   |  | Member Units (14,732 units)                                   |                     | 1              |                   |
|   |  |   |                     | 8,314          | 8,192             |
| <b>KBK Industries, LLC</b>                  | Manufacturer of Specialty Oilfield and Industrial Products             | 10% Secured Debt (Maturity September 28, 2017)                | 1,175               | 1,175          | 1,175             |
|   |  | 12.5% Secured Debt (Maturity September 28, 2017)              | 5,900               | 5,892          | 5,892             |
|   |  | Member Units (250 units)                                      |                     | 341            | 2,780             |
|   |  |   |                     | 7,408          | 9,847             |
| <b>L.F. Manufacturing Holdings, LLC(10)</b> | Manufacturer of Fiberglass Products                                    | Member Units (2,179,001 units)                                |                     | 2,019          | 1,380             |
| <b>OnAsset Intelligence, Inc.</b>           | Provider of Transportation Monitoring / Tracking Products and Services | 12% PIK Secured Debt (Maturity December 31, 2015)(17)         | 4,654               | 4,654          | 4,654             |
|   |  | Preferred Stock (912 shares; 7% cumulative)                   |                     | 1,981          |                   |
|   |  | Warrants (5,333 equivalent shares)                            |                     | 1,919          |                   |
|   |  |   |                     | 8,554          | 4,654             |
| <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          | 380               |

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|                                  |   |   |        |        |
|----------------------------------|---|---|--------|--------|
|                                  |   |   | 1,844  | 853    |
| <b>PCI Holding Company, Inc.</b> | Manufacturer of Industrial Gas Generating Systems |   |        |        |
|                                  |   | 12% Secured Debt (Maturity March 31, 2019)            | 13,000 | 12,908 |
|                                  |   | Preferred Stock (1,500,000 shares; 20% cumulative)(8) |        | 3,551  |
|                                  |   |   | 16,459 | 18,540 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>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)(15)<br>Preferred Member Units (250 units)                         | 30,785              | 30,281<br>2,500 | 250               |
|  |  |   |                     | 32,781          | 250               |
| <b>Tin Roof Acquisition Company</b>                          | Casual Restaurant Group  | 12% Secured Debt (Maturity November 13, 2018)<br>Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8) | 13,342              | 13,232<br>2,807 | 13,232<br>2,807   |
|  |  |   |                     | 16,039          | 16,039            |
|  |  |   |                     |                 |                   |
| <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)                 | 5,021               | 5,011           | 5,021             |
|  |  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity January 13, 2019)(9)                 | 826                 | 826             | 826               |
|  |  | 15% PIK Unsecured Debt (Maturity July 13, 2019)   | 773                 | 773             | 773               |
|  |  | Preferred Stock (4,935,377 shares; 13.5% cumulative)(8)   |                     | 6,248           | 6,620             |
|  |  | Common Stock (705,054 shares)   |                     |                 | 2,810             |
|  |  |   | 12,858              | 16,050          |                   |
| <b>Universal Wellhead Services Holdings, LLC(10)</b>         | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Preferred Member Units (UWS Investments, LLC) (716,949 units; 14% cumulative)                                     |                     | 717             | 720               |
|  |  | Member Units (UWS Investments, LLC) (4,000,000 units)   |                     | 4,000           | 610               |
|  |  |   |                     | 4,717           | 1,330             |
| <b>Valley Healthcare Group, LLC</b>                          | Provider of Durable Medical Equipment  |   | 12,856              | 12,750          | 12,750            |

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|  |        |        |
|--|--------|--------|
| LIBOR Plus 12.50% (Floor 0.50%),<br>Current Coupon 13.28%, Secured Debt<br>(Maturity December 29, 2020)(9)<br>Preferred Member Units (Valley<br>Healthcare Holding, LLC) (1,600 units) | 1,600  | 1,600  |
|  | 14,350 | 14,350 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Volusion, LLC</b>   | Provider of Online Software-as-a-Service eCommerce Solutions | 11.5% Secured Debt (Maturity January 26, 2020) | 17,500              | 15,439            | 15,439            |
|  |  | Preferred Member Units (4,876,670 units)       |                     | 14,000            | 14,000            |
|  |  | Warrants (1,831,355 equivalent units)          |                     | 2,576             | 2,450             |
|  |  |  |                     | 32,015            | 31,889            |
| <b>Subtotal Affiliate Investments (16.6% of total investments at fair value)</b> |  |  |                     | <b>\$ 373,895</b> | <b>\$ 329,024</b> |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Non-Control/Non-Affiliate Investments(7)</u></b> |   |   |                     |                 |                   |
| <b>Adams Publishing Group, LLC(10)</b>                 | Local Newspaper Operator  | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 3, 2020)(9)   | \$ 7,589            | \$ 7,478        | \$ 7,589          |
| <b>ADS Tactical, Inc.(10)</b>                          | Value-Added Logistics and Supply Chain Provider to the Defense Industry | LIBOR Plus 7.50% (Floor 0.75%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity December 31, 2022)(9)  | 11,500              | 11,258          | 11,258            |
| <b>Ahead, LLC(10)</b>                                  | IT Infrastructure Value Added Reseller                                  | LIBOR Plus 6.50%, Current Coupon<br>7.65%, Secured Debt<br>(Maturity November 2, 2020)  | 14,063              | 13,742          | 13,922            |
| <b>Allflex Holdings III Inc.(11)</b>                   | 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)  | 14,795              | 14,710          | 14,826            |
| <b>American Scaffold Holdings, Inc.(10)</b>            | Marine Scaffolding Service Provider                                     | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity March 31, 2022)(9)   | 7,313               | 7,216           | 7,276             |
| <b>American Teleconferencing Services, Ltd.(11)</b>    | Provider of Audio Conferencing and Video Collaboration Solutions        | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 8, 2021)(9)<br>LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity June 6, 2022)(9) | 11,018<br>3,714     | 10,242<br>3,573 | 11,018<br>3,573   |
|  |   |   |                     | 13,815          | 14,591            |
| <b>Anchor Hocking, LLC(11)</b>                         | Household Products Manufacturer   |   | 2,271               | 2,271           | 2,226             |

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|  |       |       |
|--|-------|-------|
| LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity June 4, 2018)(9)<br>Member Units (440,620 units) | 4,928 | 3,305 |
|  | 7,199 | 5,531 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>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)  | 7,190               | 7,086           | 7,258             |
| <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) | 2,400<br>14,416     | 2,400<br>14,340 | 2,400<br>14,340   |
|                                     |   |   |                     | 16,740          | 16,740            |
| <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)  | 13,912              | 13,773          | 13,912            |
| <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)  | 7,330               | 7,215           | 7,330             |
| <b>ATI Investment Sub, Inc.(11)</b> | Manufacturer of Solar Tracking Systems                          | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity June 22, 2021)(9)  | 9,250               | 9,083           | 9,227             |
| <b>ATS Workholding, Inc.(10)</b>    | Manufacturer of Machine Cutting Tools and Accessories           | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity March 10, 2019)(9)  | 6,173               | 6,149           | 5,659             |
| <b>ATX Networks Corp.(11)(13)</b>   | Provider of Radio Frequency Management Equipment                | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.15%, Secured Debt (Maturity June 11, 2021)(9)  | 9,765               | 9,620           | 9,668             |

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|                                 |                                  |   |       |       |       |
|---------------------------------|----------------------------------|---|-------|-------|-------|
| <b>Berry Aviation, Inc.(10)</b> | Airline Charter Service Operator |   |       |       |       |
|                                 |                                  | 12.00% Current / 1.75% PIK Secured Debt (Maturity January 30, 2020) | 5,627 | 5,590 | 5,627 |
|                                 |                                  | Common Stock (553 shares)   |       | 400   | 820   |
|                                 |                                  |   |       | 5,990 | 6,447 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Binswanger Enterprises, LLC(10)</b>             | Glass Repair and Installation Service Provider       | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.06%, Secured Debt (Maturity March 9, 2022)(9)    | 15,460              | 15,155         | 15,155            |
|  |  | Member Units (1,050,000 units)  |                     | 1,050          | 1,050             |
|  |  |   |                     | 16,205         | 16,205            |
| <b>Bluestem Brands, Inc.(11)</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) | 12,692              | 12,466         | 10,471            |
| <b>Brainworks Software, LLC(10)</b>                | Advertising Sales and Newspaper Circulation Software | Prime Plus 9.25% (Floor 3.25%), Current Coupon 13.25%, Secured Debt (Maturity July 22, 2019)(9)   | 6,733               | 6,688          | 6,491             |
| <b>Brightwood Capital Fund Investments(12)(13)</b> | Investment Partnership                               | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.6%)(8)                            |                     | 12,000         | 10,271            |
|  |  | LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.9%)                                |                     | 500            | 500               |
|  |  |   |                     | 12,500         | 10,771            |
| <b>Brundage-Bone Concrete Pumping, Inc.(11)</b>    | Construction Services Provider                       | 10.375% Secured Debt (Maturity September 1, 2021)   | 3,000               | 2,986          | 3,150             |
| <b>California Pizza Kitchen, Inc.(11)</b>          | Casual Restaurant Group                              | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 23, 2022)(9)  | 7,967               | 7,922          | 7,969             |
| <b>CDHA Management, LLC(10)</b>                    | Dental Services                                      | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity December 5, 2021)(9) | 4,227               | 4,154          | 4,154             |
| <b>Cengage Learning Acquisitions, Inc.(11)</b>     | Provider of Educational Print and Digital Services   |   |                     |                |                   |

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|   |       |       |       |
|---|-------|-------|-------|
| LIBOR Plus 4.25% (Floor 1.00%),<br>Current Coupon 5.25%, Secured Debt<br>(Maturity June 7, 2023)(9) | 9,459 | 8,854 | 9,049 |
|---|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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)  | 15,130              | 13,073         | 12,482            |
| <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              | 14,160         | 9,134             |
| <b>Clarius BIGS, LLC(10)</b>                        | Prints & Advertising Film Financing  | 15% PIK Secured Debt (Maturity January 5, 2015)(14)(17)  | 2,928               | 2,928          | 88                |
| <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               | 4,097<br>1,079 | 4,100<br>4,580    |
|   |  |  |                     | 5,176          | 8,680             |
| <b>Construction Supply Investments, LLC(10)(13)</b> | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity June 30, 2023)(9)<br>Member Units (20,000 units) | 8,500               | 8,418<br>2,000 | 8,418<br>2,000    |
|   |  |  |                     | 10,418         | 10,418            |
| <b>ContextMedia Health, LLC(11)</b>                 | Provider of Healthcare Media Content   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 23, 2021)(9)                             | 7,900               | 7,132          | 7,900             |
| <b>Covenant Surgical Partners, Inc.(11)</b>         | Ambulatory Surgical Centers  | 8.75% Secured Debt (Maturity August 1, 2019)   | 2,800               | 2,744          | 2,660             |
| <b>CST Industries Inc.(11)</b>                      |  |  |                     |                |                   |



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Storage Tank  
Manufacturer

LIBOR Plus 6.25% (Floor 1.50%),  
Current Coupon 7.75%, Secured Debt  
(Maturity May 22, 2017)(9)

9,102

9,096

9,011

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Darr Equipment LP(10)</b>                     | Heavy Equipment Dealer   | 12% Current / 2% PIK Secured Debt<br>(Maturity April 15, 2020)  | 21,236              | 20,828         | 20,879            |
|  |  | Warrants (915,734 equivalent units)   |                     | 474            | 10                |
|  |  |   |                     | 21,302         | 20,889            |
| <b>Digital River, Inc.(11)</b>                   | Provider of Outsourced<br>e-Commerce Solutions<br>and Services | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.63%, Secured Debt<br>(Maturity February 12, 2021)(9)  | 15,184              | 15,091         | 15,260            |
| <b>Digital Room LLC(11)</b>                      | Pure-Play e-Commerce<br>Print Business                         | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity November 21, 2022)(9)  | 7,530               | 7,385          | 7,454             |
| <b>Drilling Info Holdings, Inc.</b>              | Information Services for<br>the Oil and Gas Industry           | Common Stock (3,788,865 shares)   |                     | 1,335          | 10,100            |
| <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<br>(Maturity November 26, 2019)(9) | 5,625               | 5,592          | 5,625             |
| <b>EnCap Energy Fund<br/>Investments(12)(13)</b> | Investment Partnership   | LP Interests (EnCap Energy Capital Fund<br>VIII, L.P.) (Fully diluted 0.1%)(8)                            |                     | 3,791          | 2,225             |
|  |  | LP Interests (EnCap Energy Capital Fund<br>VIII Co-Investors, L.P.) (Fully diluted<br>0.4%)               |                     | 2,200          | 1,413             |
|  |  | LP Interests (EnCap Energy Capital Fund<br>IX, L.P.) (Fully diluted 0.1%)(8)                              |                     | 3,908          | 3,696             |
|  |  | LP Interests (Encap Energy Capital Fund<br>X, L.P.) (Fully diluted 0.1%)(8)                               |                     | 3,353          | 3,353             |
|  |  | LP Interests (EnCap Flatrock Midstream<br>Fund II, L.P.) (Fully diluted 0.8%)(8)                          |                     | 8,757          | 9,983             |
|  |  | LP Interests (EnCap Flatrock Midstream<br>Fund III, L.P.) (Fully diluted 0.2%)(8)                         |                     | 2,715          | 2,716             |
|  |  |   |                     | 24,724         | 23,386            |

Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Evergreen Skills Lux S.á r.l.<br/>(d/b/a Skillsoft)(11)(13)</b> | Technology-based<br>Performance Support<br>Solutions                        | LIBOR Plus 8.25% (Floor 1.00%),<br>Current Coupon 9.25%, Secured Debt<br>(Maturity April 28, 2022)(9)  | 7,000               | 6,862          | 4,888             |
| <b>Flavors Holdings Inc.(11)</b>                                   | Global Provider of<br>Flavoring and<br>Sweetening Products and<br>Solutions | LIBOR Plus 5.75% (Floor 1.00%),<br>Current Coupon 6.90%, Secured Debt<br>(Maturity April 3, 2020)(9)   | 13,661              | 13,056         | 11,800            |
| <b>GI KBS Merger Sub LLC(11)</b>                                   | Outsourced Janitorial<br>Services to<br>Retail/Grocery<br>Customers         | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity October 29, 2021)(9)<br>LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity April 29, 2022)(9) | 6,900<br>3,800      | 6,812<br>3,642 | 6,814<br>3,648    |
|  |   |  |                     | 10,454         | 10,462            |
| <b>Grace Hill, LLC(10)</b>   | Online Training Tools<br>for the Multi-Family<br>Housing Industry           | Prime Plus 5.25% (Floor 1.00%), Current<br>Coupon 9.25%, Secured Debt<br>(Maturity August 15, 2019)(9)<br>LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.36%, Secured Debt<br>(Maturity August 15, 2019)(9) | 883<br>11,494       | 873<br>11,421  | 883<br>11,494     |
|  |   |  |                     | 12,294         | 12,377            |
| <b>Great Circle Family Foods, LLC(10)</b>                          | Quick Service Restaurant<br>Franchise                                       | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity October 28, 2019)(9)  | 7,547               | 7,502          | 7,547             |
| <b>Grupo Hima San Pablo, Inc.(11)</b>                              | Tertiary Care Hospitals   | LIBOR Plus 7.00% (Floor 1.50%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity January 31, 2018)(9)  | 4,800               | 4,780          | 3,456             |

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|   |       |       |       |
|---|-------|-------|-------|
| 13.75% Secured Debt (Maturity July 31,<br>2018) | 2,000 | 1,967 | 300   |
|   |       | 6,747 | 3,756 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>GST Autoleather, Inc.(11)</b>             | Automotive Leather Manufacturer  | LIBOR Plus 5.50% (Floor 1.00%),<br>Current Coupon 6.65%, Secured Debt<br>(Maturity July 10, 2020)(9)     | 14,305              | 14,188         | 14,001            |
| <b>Guitar Center, Inc.(11)</b>               | Musical Instruments Retailer   | 6.5% Secured Debt (Maturity April 15,<br>2019)   | 15,625              | 14,863         | 13,125            |
| <b>Hojeij Branded Foods, LLC(10)</b>         | Multi-Airport, Multi-Concept Restaurant Operator                                       | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity July 27, 2021)(9)     | 5,776               | 5,732          | 5,776             |
| <b>Hoover Group, Inc.(10)(13)</b>            | Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.30%, Secured Debt<br>(Maturity January 28, 2021)(9)  | 8,524               | 7,972          | 7,928             |
| <b>Hostway Corporation(11)</b>               | Managed Services and Hosting Provider  | LIBOR Plus 6.75% (Floor 1.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity December 13, 2019)(9) | 10,426              | 10,370         | 10,215            |
| <b>Hunter Defense Technologies, Inc.(11)</b> | Provider of Military and Commercial Shelters and Systems                               | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity August 5, 2019)(9)    | 9,400               | 8,960          | 8,742             |
| <b>iEnergizer Limited(11)(13)</b>            | Provider of Business Outsourcing Solutions   | LIBOR Plus 6.00% (Floor 1.25%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity May 1, 2019)(9)       | 13,128              | 12,726         | 13,079            |
| <b>Indivior Finance LLC(11)(13)</b>          | Specialty Pharmaceutical Company Treating Opioid Dependence                            | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt                                    | 3,646               | 3,490          | 3,673             |

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(Maturity December 19, 2019)(9)

|   |                          |  |       |       |       |
|---|--------------------------|--|-------|-------|-------|
| <b>Industrial Container Services, LLC(10)</b> | Steel Drum Reconditioner | LIBOR Plus 5.75% (Floor 1.00%),<br>Current Coupon 6.75%, Secured Debt<br>(Maturity December 31, 2018)(9) | 8,688 | 8,673 | 8,688 |
|---|--------------------------|--|-------|-------|-------|

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Industrial Services Acquisition, LLC(10)</b>       | Industrial Cleaning Services                                  | 11.25% Current / 0.75% PIK Unsecured Debt (Maturity December 17, 2022)   | 4,527               | 4,444          | 4,444             |
|   |   | Member Units (Industrial Services Investments, LLC) (900,000 units)  |                     | 900            | 810               |
|   |   |  |                     | 5,344          | 5,254             |
| <b>Infinity Acquisition Finance Corp.(11)</b>         | Application Software for Capital Markets                      | 7.25% Unsecured Debt (Maturity August 1, 2022)   | 5,700               | 5,378          | 5,216             |
| <b>Inn of the Mountain Gods Resort and Casino(11)</b> | Hotel & Casino Owner & Operator                               | 9.25% Secured Debt (Maturity November 30, 2020)  | 6,249               | 5,941          | 5,624             |
| <b>Intertain Group Limited(11)(13)</b>                | Business-to-Consumer Online Gaming Operator                   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity April 8, 2022)(9)   | 4,301               | 4,243          | 4,344             |
| <b>iPayment, Inc.(11)</b>                             | Provider of Merchant Acquisition                              | LIBOR Plus 5.25% (Floor 1.50%), Current Coupon 6.75%, Secured Debt (Maturity May 8, 2017)(9)   | 16,918              | 16,909         | 16,833            |
| <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)   | 9,787               | 9,653          | 9,566             |
| <b>irth Solutions, LLC</b>                            | Provider of Damage Prevention Information Technology Services | Member Units (27,893 units)  |                     | 1,441          | 1,920             |
| <b>Jackmont Hospitality, Inc.(10)</b>                 | Franchisee of Casual Dining Restaurants                       | LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25% / 2.50% PIK, Current Coupon Plus PIK 7.75%, Secured Debt (Maturity May 26, 2021)(9) | 4,473               | 4,457          | 4,473             |





Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Joerns Healthcare, LLC(11)</b>                 | Manufacturer and Distributor of Health Care Equipment & Supplies | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.05% / 0.50% PIK, Current Coupon Plus PIK 7.55%, Secured Debt (Maturity May 9, 2020)(9)                                 | 14,617              | 14,493                | 13,156                |
| <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)  | 5,248               | 5,236                 | 5,221                 |
| <b>LaMi Products, LLC(10)</b>                     | General Merchandise Distribution                                 | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.62%, Secured Debt (Maturity September 16, 2020)(9)   | 11,044              | 10,971                | 11,044                |
| <b>Larchmont Resources, LLC(11)</b>               | Oil & Gas Exploration & Production                               | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, PIK Secured Debt (Maturity August 7, 2020)(9)<br>Member Units (Larchmont Intermediate Holdco, LLC) (2,828 units) | 2,316               | 2,316<br>353<br>2,669 | 2,308<br>954<br>3,262 |
| <b>LKCM Headwater Investments I, L.P.(12)(13)</b> | Investment Partnership   | LP Interests (Fully diluted 2.3%)   |                     | 2,500                 | 3,967                 |
| <b>Logix Acquisition Company, LLC(10)</b>         | Competitive Local Exchange Carrier                               | LIBOR Plus 8.28% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity June 24, 2021)(9)  | 8,515               | 8,386                 | 8,515                 |
| <b>Looking Glass Investments, LLC(12)(13)</b>     | Specialty Consumer Finance                                       | 9% Unsecured Debt (Maturity June 30, 2020)<br>Member Units (2.5 units)<br>Member Units (LGI Predictive Analytics LLC) (190,712 units)(8)                                | 188                 | 188<br>125<br>132     | 188<br>125<br>132     |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Messenger, LLC(10)</b>                        | Supplier of Specialty Stationery and Related Products to the Funeral Industry | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity September 9, 2020)(9)    | 14,403              | 14,331         | 14,403            |
| <b>Minute Key, Inc.</b>                          | Operator of Automated Key Duplication Kiosks                                  | 10% Current / 2% PIK Secured Debt (Maturity September 19, 2019) Warrants (1,437,409 equivalent units) | 15,778              | 15,505<br>280  | 15,505<br>800     |
|  |   |   |                     | 15,785         | 16,305            |
| <b>Mood Media Corporation(11)(13)</b>            | Provider of Electronic Equipment  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.15%, Secured Debt (Maturity May 1, 2019)(9)          | 14,767              | 14,623         | 14,700            |
| <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)         | 14,850              | 14,610         | 14,775            |
| <b>NNE Partners, LLC(10)</b>                     | Oil & Gas Exploration & Production  | LIBOR Plus 8.00%, Current Coupon 9.07%, Secured Debt (Maturity March 2, 2022)                         | 7,292               | 7,220          | 7,220             |
| <b>North American Lifting Holdings, Inc.(11)</b> | Crane Service Provider  | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.65%, Secured Debt (Maturity November 27, 2020)(9)    | 7,805               | 6,792          | 7,370             |
| <b>NTM Acquisition Corp.(11)</b>                 | Provider of B2B Travel Information Content                                    | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 7, 2022)(9)         | 4,091               | 4,035          | 4,070             |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>   | Estrogen-Deficiency Drug Manufacturer and Distributor                         |   | 5,071               | 5,071          | 1,779             |

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11.5% Secured Debt  
(Maturity November 15, 2026)(14)

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Pardus Oil and Gas, LLC(11)</b>               | Oil & Gas Exploration & Production  | 13% PIK Secured Debt<br>(Maturity November 12, 2021)  | 1,928               | 1,928          | 1,809             |
|  |   | 5% PIK Secured Debt (Maturity May 13, 2022)   | 1,004               | 1,004          | 489               |
|  |   | Member Units (2,472 units)  |                     | 2,472          |                   |
|  |   |   |                     | 5,404          | 2,298             |
| <b>Paris Presents Incorporated(11)</b>           | Branded Cosmetic and Bath Accessories   | LIBOR Plus 8.75% (Floor 1.00%),<br>Current Coupon 9.75%, Secured Debt<br>(Maturity December 31, 2021)(9)  | 2,000               | 1,970          | 1,960             |
| <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)  | 7,500               | 7,399          | 7,481             |
| <b>Permian Holdco 2, Inc.(11)</b>                | Storage Tank Manufacturer   | 14% PIK Unsecured Debt<br>(Maturity October 15, 2021)   | 205                 | 205            | 205               |
|  |   | Preferred Stock (Permian Holdco 1, Inc.)<br>(154,558 units)   |                     | 799            | 799               |
|  |   | Common Stock (Permian Holdco 1, Inc.)<br>(154,558 units)  |                     |                |                   |
|  |   |   |                     | 1,004          | 1,004             |
| <b>Pernix Therapeutics Holdings, Inc.(10)</b>    | Pharmaceutical Royalty  | 12% Secured Debt (Maturity August 1, 2020)  | 3,214               | 3,214          | 1,151             |
| <b>Pike Corporation(11)</b>                      | Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure | LIBOR Plus 8.00% (Floor 1.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity September 10, 2024)(9) | 3,000               | 2,970          | 3,053             |
| <b>Point.360(10)</b>                             | Fully Integrated Provider of Digital Media Services   | Warrants (65,463 equivalent shares)   |                     | 69             |                   |
|  |   | Common Stock (163,658 shares)   |                     | 273            | 34                |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>PPC/SHIFT LLC(10)</b>                     | Provider of Digital Solutions to Automotive Industry                 | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 22, 2021)(9)  | 6,956               | 6,815          | 6,815             |
| <b>Prowler Acquisition Corp.(11)</b>         | Specialty Distributor to the Energy Sector                           | LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.65%, Secured Debt (Maturity January 28, 2020)(9)   | 10,706              | 8,942          | 8,832             |
| <b>PT Network, LLC(10)</b>                   | Provider of Outpatient Physical Therapy and Sports Medicine Services | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.55%, Secured Debt (Maturity November 30, 2021)(9)  | 17,700              | 17,465         | 17,465            |
| <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)     | 11,245              | 11,176         | 10,908            |
| <b>Raley's(11)</b>                           | Family-Owned Supermarket Chain                                       | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity May 18, 2022)(9)       | 4,160               | 4,093          | 4,197             |
| <b>Redbox Automated Retail, LLC(11)</b>      | Operator of Home Media Entertainment Kiosks                          | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity September 27, 2021)(9) | 13,125              | 12,754         | 13,141            |
| <b>Renaissance Learning, Inc.(11)</b>        | Technology-based K-12 Learning Solutions                             | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.15%, Secured Debt (Maturity April 11, 2022)(9)     | 3,000               | 2,979          | 2,999             |
| <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)    | 3,910               | 3,830          | 1,036             |





Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>RM Bidder, LLC(10)</b>                               | Scripted and Unscripted TV and Digital Programming Provider            | Warrants (327,532 equivalent units)<br>Member Units (2,779 units)                                       |                     | 425<br>46<br>471 | 33<br>33          |
| <b>SAExploration, Inc.(10)(13)</b>                      | Geophysical Services Provider  | Common Stock (50 shares)  |                     | 65               |                   |
| <b>SAFETY Investment Holdings, LLC</b>                  | Provider of Intelligent Driver Record Monitoring Software and Services | Member Units (2,000,000 units)  |                     | 2,000            | 2,000             |
| <b>Salient Partners L.P.(11)</b>                        | Provider of Asset Management Services                                  | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity June 9, 2021)(9)     | 10,812              | 10,554           | 10,379            |
| <b>School Specialty, Inc.(11)</b>                       | Distributor of Education Supplies and Furniture                        | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity June 11, 2019)(9)    | 5,456               | 5,388            | 5,469             |
| <b>Sigma Electric Manufacturing Corporation(10)(13)</b> | Manufacturer and Distributor of Electrical Fittings and Parts          | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity October 13, 2021)(9) | 12,500              | 12,212           | 12,212            |
| <b>SG Acquisition Inc.(11)</b>                          | Finance and Insurance Services to the Automotive Industry              | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity March 30, 2024)(9)   | 4,875               | 4,729            | 4,802             |
| <b>Sorenson Communications, Inc.(11)</b>                | Manufacturer of Communication Products for Hearing Impaired            | LIBOR Plus 5.75% (Floor 2.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity April 30, 2020)(9)   | 13,337              | 13,254           | 13,387            |

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9% Secured Debt (Maturity October 31,  
2020)

3,000

2,805

2,790

16,059

16,177

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>Strike, LLC(11)</b>                         | Pipeline Construction and Maintenance Services     | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity November 30, 2022)(9)   | 10,000              | 9,682          | 10,167            |
| <b>Subsea Global Solutions, LLC(10)</b>        | Underwater Maintenance and Repair Services         | LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 17, 2020)(9)  | 7,429               | 7,365          | 7,397             |
| <b>Synagro Infrastructure Company, Inc(11)</b> | Waste Management Services                          | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.40%, Secured Debt (Maturity August 22, 2020)(9)   | 4,714               | 4,662          | 4,348             |
| <b>Targus International, LLC(11)</b>           | Distributor of Protective Cases for Mobile Devices | 15% PIK Secured Debt (Maturity December 31, 2019)<br>Common Stock (Targus Cayman HoldCo Limited) (249,614 shares)(13)  | 1,182               | 1,182<br>2,555 | 1,182<br>440      |
|  |  |  |                     | 3,737          | 1,622             |
| <b>TE Holdings, LLC(11)</b>                    | Oil & Gas Exploration & Production                 | Member Units (97,048 units)  |                     | 970            | 691               |
| <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) | 7,602               | 7,594          | 7,607             |
|  |  |  | 10,500              | 10,447         | 10,526            |
|  |  |  |                     | 18,041         | 18,133            |
| <b>TMC Merger Sub Corp.(11)</b>                | Refractory & Maintenance Services Provider         | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity October 31, 2022)(9)  | 14,922              | 14,778         | 14,922            |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>TOMS Shoes, LLC(11)</b>                                | Global Designer, Distributor, and Retailer of Casual Footwear  | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.55%, Secured Debt (Maturity October 30, 2020)(9)  | 4,900               | 4,573          | 3,315             |
| <b>Truck Bodies and Equipment International, Inc.(10)</b> | Manufacturer of Dump Truck Bodies and Dump Trailers            | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 31, 2021)(9)    | 20,564              | 20,201         | 20,564            |
| <b>Turning Point Brands, Inc.(10)(13)</b>                 | Marketer/Distributor of Tobacco Products                       | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.15%, Secured Debt (Maturity May 17, 2022)(9)      | 8,500               | 8,417          | 8,479             |
| <b>TVG-I-E CMN ACQUISITION, LLC(10)</b>                   | Organic Lead Generation for Online Postsecondary Schools       | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity November 3, 2021)(9)  | 6,419               | 6,299          | 6,299             |
| <b>Tweddle Group, Inc.(11)</b>                            | Provider of Technical Information Services to Automotive OEMs  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 21, 2022)(9)  | 8,356               | 8,197          | 8,418             |
| <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)    | 11,484              | 11,411         | 11,427            |
| <b>U.S. TelePacific Corp.(10)</b>                         | Provider of Communications and Managed Services                | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.62%, Secured Debt (Maturity February 24, 2021)(9) | 7,500               | 7,383          | 7,500             |
| <b>VCVH Holding Corp. (Verisk)(11)</b>                    | Healthcare Technology Services Focused on Revenue Maximization |  | 1,500               | 1,465          | 1,489             |

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LIBOR Plus 9.25% (Floor 1.00%),  
Current Coupon 10.40%, Secured Debt  
(Maturity June 1, 2024)(9)

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)****March 31, 2017****(dollars in thousands)****(Unaudited)**

| <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>VIP Cinema Holdings, Inc.(11)</b>     | Supplier of Luxury Seating to the Cinema Industry                             | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity March 1, 2023)(9)  | 10,000              | 9,951               | 10,118              |
| <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               | 1,571<br>333<br>186 | 1,571<br>773<br>351 |
|  |   |   |                     | 2,090               | 2,695               |
| <b>Vistar Media, Inc.(10)</b>            | Operator of Digital Out-of-Home Advertising Platform                          | LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.06%, Secured Debt (Maturity February 16, 2022)(9)<br>Warrants (64,025 equivalent shares) | 4,500               | 4,089<br>331        | 4,089<br>331        |
|  |   |   |                     | 4,420               | 4,420               |
| <b>Wellnext, LLC(10)</b>                 | Manufacturer of Supplements and Vitamins                                      | LIBOR Plus 9.00% (Floor 0.50%), Current Coupon 10.00%, Secured Debt (Maturity May 23, 2021)(9)  | 9,994               | 9,908               | 9,994               |
| <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               | 4,903               | 4,891               |
| <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)  | 1,147               | 1,142               | 1,120               |
| <b>Worley Claims Services, LLC(10)</b>   | Insurance Adjustment Management and Services Provider                         |   |                     |                     |                     |

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|                            |  |   |        |        |        |
|----------------------------|--|---|--------|--------|--------|
|                            |  | LIBOR Plus 8.00% (Floor 1.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity October 31, 2020)(9) | 6,354  | 6,312  | 6,354  |
| <b>YP Holdings LLC(11)</b> | Online and Offline<br>Advertising Operator | LIBOR Plus 11.00% (Floor 1.25%),<br>Current Coupon 12.25%, Secured Debt<br>(Maturity June 4, 2018)(9)   | 14,785 | 14,438 | 14,756 |

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

March 31, 2017

(dollars in thousands)

(Unaudited)

| Portfolio Company(1)   | Business Description                               | Type of Investment(2)(3)             | Principal(4) | Cost(4)      | Fair Value   |
|--|--|--------------------------------------|--------------|--------------|--------------|
| Zilliant Incorporated  | 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 (50.1% of total investments at fair value)</b> |  |                                      |              | \$ 1,010,832 | \$ 992,115   |
| <b>Total Portfolio Investments, March 31, 2017</b>   |  |                                      |              | \$ 1,876,476 | \$ 1,979,378 |

- (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. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have

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multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at March 31, 2017. As noted in this schedule, 62% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.50% and 2.25%, with a weighted-average LIBOR floor of approximately 1.04%.

- (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) 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.
- (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.

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2016  
(dollars in thousands)

| Portfolio Company(1)                 | Business Description                                      | Type of Investment(2)(3)                                     | Principal(4) | Cost(4)   | Fair Value |
|--------------------------------------|---|--|--------------|-----------|------------|
| <b><u>Control Investments(5)</u></b> |   |  |              |           |            |
| Access Media Holdings, LLC(10)       | Private Cable Operator                                    | 5% Current / 5% PIK Secured Debt<br>(Maturity July 22, 2020) | \$ 22,664    | \$ 22,664 | \$ 19,700  |
|                                      |   | Preferred Member Units (6,581,250<br>units; 12% cumulative)  |              | 6,475     | 240        |
|                                      |   | Member Units (45 units)                                      |              | 1         |            |
|                                      |   |  |              | 29,140    | 19,940     |
| Ameritech College Operations, LLC    | For-Profit Nursing and<br>Healthcare College              | 10% Secured Debt<br>(Maturity November 30, 2019)             | 514          | 514       | 514        |
|                                      |   | 13% Secured Debt<br>(Maturity November 30, 2019)             | 489          | 489       | 489        |
|                                      |   | 13% Secured Debt (Maturity January 31,<br>2020)              | 3,025        | 3,025     | 3,025      |
|                                      |   | Preferred Member Units (294 units)                           |              | 2,291     | 2,291      |
|                                      |   |  | 6,319        | 6,319     |            |
| ASC Interests, LLC                   | Recreational and<br>Educational Shooting<br>Facility      | 11% Secured Debt (Maturity July 31,<br>2018)                 | 2,100        | 2,084     | 2,100      |
|                                      |   | Member Units (1,500 units)(8)                                |              | 1,500     | 2,680      |
|                                      |   |  |              | 3,584     | 4,780      |
| Bond-Coat, Inc.                      | Casing and Tubing<br>Coating Services                     | 12% Secured Debt<br>(Maturity December 28, 2017)             | 11,596       | 11,556    | 11,596     |
|                                      |   | Common Stock (57,508 shares)                                 |              | 6,350     | 6,660      |
|                                      |   |  |              | 17,906    | 18,256     |
| Café Brazil, LLC                     | Casual Restaurant Group                                   | Member Units (1,233 units)(8)                                |              | 1,742     | 6,040      |
| CBT Nuggets, LLC                     | Produces and Sells IT<br>Training Certification<br>Videos | Member Units (416 units)(8)                                  |              | 1,300     | 55,480     |

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

**December 31, 2016**  
(dollars in thousands)

| Portfolio Company(1)                | Business Description                                 | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|-------------------------------------|--|---|--------------|---------|------------|
| <b>Clad-Rex Steel, LLC</b>          | Specialty Manufacturer of Vinyl-Clad Metal           | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2018)(9) | 400          | 396     | 396        |
|                                     |  | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2021)(9) | 14,080       | 13,941  | 13,941     |
|                                     |  | Member Units (717 units)  |              | 7,280   | 7,280      |
|                                     |  | 10% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity December 20, 2036)                     | 1,202        | 1,190   | 1,190      |
|                                     |  | Member Units (Clad-Rex Steel RE Investor, LLC) (800 units)  |              | 210     | 210        |
|                                     |  |   |              | 23,017  | 23,017     |
| <b>CMS Minerals Investments</b>     | Oil & Gas Exploration & Production                   | Preferred Member Units (CMS Minerals LLC) (458 units)(8)  |              | 2,104   | 3,682      |
|                                     |  | Member Units (CMS Minerals II, LLC) (100 units)(8)  |              | 3,829   | 3,381      |
|                                     |  |   |              | 5,933   | 7,063      |
| <b>Datacom, LLC</b>                 | Technology and Telecommunications Provider           | 8% Secured Debt (Maturity May 30, 2017)   | 900          | 900     | 900        |
|                                     |  | 5.25% Current / 5.25% PIK Secured Debt (Maturity May 30, 2019)                                      | 11,713       | 11,651  | 11,049     |
|                                     |  | Class A Preferred Member Units (15% cumulative)   |              | 1,181   | 1,368      |
|                                     |  | Class B Preferred Member Units (6,453 units)  |              | 6,030   | 1,529      |
|                                     |  |   |              | 19,762  | 14,846     |
| <b>Gamber-Johnson Holdings, LLC</b> | Manufacturer of Ruggedized Computer Mounting Systems | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity June 24, 2021)(9)    | 24,080       | 23,846  | 23,846     |
|                                     |  | Member Units (8,619 units)  |              | 14,844  | 18,920     |
|                                     |  |   |              | 38,690  | 42,766     |
| <b>Garreco, LLC</b>                 | Manufacturer and Supplier of Dental Products         |   |              |         |            |

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|  |       |       |       |
|--|-------|-------|-------|
| 14% Secured Debt (Maturity January 12, 2018) | 5,250 | 5,219 | 5,219 |
| Member Units (1,200 units)                   |       | 1,200 | 1,150 |
|  |       | 6,419 | 6,369 |

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

**December 31, 2016**  
(dollars in thousands)

| Portfolio Company(1)                                | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|---|---|--------------|---------|------------|
| <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) | 13,274       | 13,188  | 13,274     |
|   |   | Member Units (5,879 units)(8)   |              | 13,065  | 20,310     |
|   |   |   |              | 26,253  | 33,584     |
| <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   | 8,770      |
|   |   |   |              | 3,757   | 9,547      |
| <b>Gulf Publishing Holdings, LLC</b>                | Energy Industry Focused Media and Publishing                    | 12.5% Secured Debt (Maturity April 29, 2021)  | 10,000       | 9,911   | 9,911      |
|   |   | Member Units (3,124 units)  |              | 3,124   | 3,124      |
|   |   |   |              | 13,035  | 13,035     |
| <b>Harrison Hydra-Gen, Ltd.</b>                     | Manufacturer of Hydraulic Generators                            | Common Stock (107,456 shares)(8)  |              | 718     | 3,120      |
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Facilitator of Import Logistics, Brokerage, and Warehousing     | Member Units (500 units)  |              | 589     | 280        |
|   |   | Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)                                      |              | 1,215   | 2,040      |
|   |   |   |              | 1,804   | 2,320      |
| <b>HW Temps LLC</b>                                 | Temporary Staffing Solutions                                    | LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 14.00%, Secured Debt (Maturity July 2, 2020)(9)     | 10,576       | 10,500  | 10,500     |
|   |   | Preferred Member Units (3,200 units)(8)   |              | 3,942   | 3,940      |
|   |   |   |              | 14,442  | 14,440     |
| <b>Hydratec, Inc.</b>                               | Designer and Installer of Micro-Irrigation Systems              | Common Stock (7,095 shares)(8)  |              | 7,095   | 15,640     |

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**IDX Broker, LLC**

Provider of Marketing  
and CRM Tools for the  
Real Estate Industry

|  |        |        |        |
|--|--------|--------|--------|
| 12.5% Secured Debt<br>(Maturity November 15, 2018) | 10,950 | 10,904 | 10,950 |
| Member Units (5,400 units)(8)                      |        | 5,606  | 7,040  |
|  |        | 16,510 | 17,990 |

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

**December 31, 2016**  
**(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, 2017)  | 3,100        | 3,100   | 3,100      |
|  |  | Warrants (1,046 equivalent units)   |              | 1,129   | 2,649      |
|  |  |   |              | 4,229   | 5,749      |
| <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, 2019)(9) | 4,055        | 3,996   | 4,055      |
|  |  | Member Units (627 units)(8)   |              | 811     | 4,460      |
|  |  |   |              | 4,807   | 8,515      |
| <b>Lamb Ventures, LLC</b>                  | Aftermarket Automotive Services Chain                            | 11% Secured Debt (Maturity May 31, 2018)  | 7,657        | 7,657   | 7,657      |
|  |  | Preferred Equity (non-voting)   |              | 400     | 400        |
|  |  | Member Units (742 units)(8)   |              | 5,273   | 5,990      |
|  |  | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity December 31, 2041)               | 1,170        | 1,170   | 1,170      |
|  |  | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                                |              | 625     | 1,340      |
|  |  |   | 15,125       | 16,557  |            |
| <b>Lighting Unlimited, LLC</b>             | Commercial and Residential Lighting Products and Design Services | 8% Secured Debt (Maturity August 22, 2017)  | 1,514        | 1,514   | 1,514      |
|  |  | Preferred Equity (non-voting)   |              | 434     | 410        |
|  |  | Warrants (71 equivalent units)  |              | 54      |            |
|  |  | Member Units (700 units)  |              | 100     |            |
|  |  |   |              |         | 2,102      |
| <b>Marine Shelters Holdings, LLC</b>       | Fabricator of Marine and Industrial Shelters                     | 12% PIK Secured Debt (Maturity December 28, 2017)(14)   | 9,967        | 9,914   | 9,387      |
|  |  | Preferred Member Units (3,810 units)  |              | 5,352   |            |
|  |  |   |              | 15,266  | 9,387      |
| <b>MH Corbin Holding LLC</b>               | Manufacturer and Distributor of Traffic Safety Products          |   | 13,300       | 13,197  | 13,197     |



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10% Secured Debt (Maturity August 31,  
2020)  
Preferred Member Units (4,000 shares)

6,000 6,000

19,197 19,197

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                     | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|--|---|--|--------------|---------|------------|
| <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 (3,554 units)   |              | 1,810   | 2,480      |
|  |   | 9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)                          | 836          | 836     | 836        |
|  |   | Member Units (Mid-Columbia Real Estate, LLC) (250 units)(8)  |              | 250     | 600        |
|  |   |  |              | 8,546   | 9,566      |
| <b>MSC Adviser I, LLC(16)</b>            | Third Party Investment Advisory Services                              | Member Units (Fully diluted 100.0%)(8)   |              |         | 30,617     |
| <b>Mystic Logistics Holdings, LLC</b>    | Logistics and Distribution Services Provider for Large Volume Mailers | 12% Secured Debt (Maturity August 15, 2019)  | 9,176        | 9,053   | 9,176      |
|  |   | Common Stock (5,873 shares)  |              | 2,720   | 5,780      |
|  |   |  |              | 11,773  | 14,956     |
| <b>NAPCO Precast, LLC</b>                | Precast Concrete Manufacturing  | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2019)(9)  | 2,713        | 2,693   | 2,713      |
|  |   | 18% Secured Debt (Maturity February 1, 2019)   | 3,952        | 3,922   | 3,952      |
|  |   | Member Units (2,955 units)(8)  |              | 2,975   | 10,920     |
|  |   |  |              | 9,590   | 17,585     |
| <b>NRI Clinical Research, LLC</b>        | Clinical Research Service Provider                                    | LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity September 8, 2017)(9) | 200          | 200     | 200        |
|  |   | 14% Secured Debt (Maturity September 8, 2017)  | 4,261        | 4,228   | 4,261      |
|  |   | Warrants (251,723 equivalent units)  |              | 252     | 680        |
|  |   | Member Units (1,454,167 units)   |              | 765     | 2,462      |
|  |   |  |              | 5,445   | 7,603      |
| <b>NRP Jones, LLC</b>                    |   |  |              |         |            |

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Manufacturer of Hoses,  
Fittings and Assemblies

|  |        |        |        |
|--|--------|--------|--------|
| 6% Current / 6% PIK Secured Debt<br>(Maturity December 22, 2016)(17) | 13,915 | 13,915 | 13,915 |
| Warrants (14,331 equivalent units)                                   |        | 817    | 130    |
| Member Units (50,877 units)  |        | 2,900  | 410    |
|  |        | 17,632 | 14,455 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                  | Business Description  | Type of Investment(2)(3)   | Principal(4)   | Cost(4)                          | Fair Value                     |
|---------------------------------------|---|--|----------------|----------------------------------|--------------------------------|
| <b>OMi Holdings, Inc.</b>             | Manufacturer of Overhead Cranes                                     | Common Stock (1,500 shares)(8)   |                | 1,080                            | 13,080                         |
| <b>Pegasus Research Group, LLC</b>    | Provider of Telemarketing and Data Services                         | Member Units (460 units)(8)  |                | 1,290                            | 8,620                          |
| <b>PPL RVs, Inc.</b>                  | Recreational Vehicle Dealer   | LIBOR Plus 7.00% (Floor 0.50%),<br>Current Coupon 7.93%, Secured Debt<br>(Maturity November 15, 2021)(9)<br>Common Stock (1,962 shares)(8)   | 18,000         | 17,826<br>2,150                  | 17,826<br>11,780               |
|                                       |   |  |                | 19,976                           | 29,606                         |
| <b>Principle Environmental, LLC</b>   | Noise Abatement Service Provider                                    | 12% Secured Debt (Maturity April 30, 2017)<br>12% Current / 2% PIK Secured Debt<br>(Maturity April 30, 2017)<br>Preferred Member Units (19,631 units)<br>Warrants (1,036 equivalent units) | 4,060<br>3,378 | 4,060<br>3,378<br>4,663<br>1,200 | 4,060<br>3,378<br>5,370<br>270 |
|                                       |   |  |                | 13,301                           | 13,078                         |
| <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)  | 7,068          | 7,068<br>1,118                   | 7,068<br>3,188                 |
|                                       |   |  |                | 8,186                            | 10,256                         |
| <b>River Aggregates, LLC</b>          | Processor of Construction Aggregates                                | Zero Coupon Secured Debt<br>(Maturity June 30, 2018)<br>Member Units (1,150 units)(8)<br>Member Units (RA Properties, LLC)<br>(1,500 units)  | 750            | 627<br>1,150<br>369              | 627<br>4,600<br>2,510          |
|                                       |   |  |                | 2,146                            | 7,737                          |
| <b>SoftTouch Medical Holdings LLC</b> | Provider of In-Home Pediatric Durable Medical Equipment             |  | 7,140          | 7,096                            | 7,140                          |

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|  |        |        |
|--|--------|--------|
| LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity October 31, 2019)(9) |        |        |
| Member Units (4,450 units)(8)  | 4,930  | 9,170  |
|  | 12,026 | 16,310 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)                                    | Principal(4) | Cost(4)           | Fair Value        |
|--|---|---|--------------|-------------------|-------------------|
| <b>The MPI Group, LLC</b>  | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 2, 2018)                  | 2,924        | 2,922             | 2,922             |
|  |   | Series A Preferred Units (2,500 units; 10% Cumulative)      |              | 2,500             |                   |
|  |   | Warrants (1,424 equivalent units)                           |              | 1,096             |                   |
|  |   | Member Units (MPI Real Estate Holdings, LLC) (100 units)(8) |              | 2,300             | 2,300             |
|  |   |   |              | 8,818             | 5,222             |
| <b>Uvalco Supply, LLC</b>  | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019)                  | 872          | 872               | 872               |
|  |   | Member Units (2,011 units)(8)                               |              | 3,843             | 4,640             |
|  |   |   |              | 4,715             | 5,512             |
| <b>Vision Interests, Inc.</b>  | Manufacturer / Installer of Commercial Signage                    | 13% Secured Debt (Maturity December 23, 2018)               | 2,814        | 2,814             | 2,814             |
|  |   | Series A Preferred Stock (3,000,000 shares)                 |              | 3,000             | 3,000             |
|  |   | Common Stock (1,126,242 shares)                             |              | 3,706             |                   |
|  |   |   |              | 9,520             | 5,814             |
| <b>Ziegler's NYPD, LLC</b>   | Casual Restaurant Group   | 6.5% Secured Debt (Maturity October 1, 2019)                | 1,000        | 994               | 994               |
|  |   | 12% Secured Debt (Maturity October 1, 2019)                 | 300          | 300               | 300               |
|  |   | 14% Secured Debt (Maturity October 1, 2019)                 | 2,750        | 2,750             | 2,750             |
|  |   | Warrants (587 equivalent units)                             |              | 600               | 240               |
|  |   | Preferred Member Units (10,072 units)                       |              | 2,834             | 4,100             |
|  |   |   |              | 7,478             | 8,384             |
| <b>Subtotal Control Investments (29.8% of total investments at fair value)</b> |   |   |              | <b>\$ 439,674</b> | <b>\$ 594,282</b> |

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

**December 31, 2016**  
**(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>      |   |   |              |         |            |
| <b>AFG Capital Group, LLC</b>               | Provider of Rent-to-Own Financing Solutions and Services                              | Warrants (42 equivalent units)  |              | \$ 259  | \$ 670     |
|   |   | Member Units (186 units)(8)   |              | 1,200   | 2,750      |
|   |   |   |              | 1,459   | 3,420      |
| <b>Barfly Ventures, LLC(10)</b>             | Casual Restaurant Group   | 12% Secured Debt (Maturity August 31, 2020)   | 5,958        | 5,860   | 5,827      |
|   |   | Options (2 equivalent units)  |              | 397     | 490        |
|   |   | Warrant (1 equivalent unit)   |              | 473     | 280        |
|   |   |   |              | 6,730   | 6,597      |
| <b>BBB Tank Services, LLC</b>               | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity April 8, 2021)(9) | 800          | 797     | 797        |
|   |   | 15% Current Secured Debt (Maturity April 8, 2021)   | 4,027        | 3,991   | 3,991      |
|   |   | Member Units (800,000 units)  |              | 800     | 800        |
|   |   |   |              | 5,588   | 5,588      |
| <b>Boss Industries, LLC</b>                 | Manufacturer and Distributor of Air, Power and Other Industrial Equipment             | Preferred Member Units (2,242 units)(8)   |              | 2,426   | 2,800      |
| <b>Bridge Capital Solutions Corporation</b> | Financial Services and Cash Flow Solutions Provider                                   | 13% Secured Debt (Maturity July 25, 2021)   | 7,500        | 5,610   | 5,610      |
|   |   | Warrants (63 equivalent shares)   |              | 2,132   | 3,370      |
|   |   | 13% Secured Debt (Mercury Service Group, LLC) (Maturity July 25, 2021)                          | 1,000        | 991     | 1,000      |
|   |   | Preferred Member Units (Mercury Service Group, LLC) (17,742 units)(8)                           |              | 1,000   | 1,000      |
|   |   |   |              | 9,733   | 10,980     |
| <b>Buca C, LLC</b>                          | Casual Restaurant Group   | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt                              | 22,671       | 22,504  | 22,671     |

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|   |        |        |
|---|--------|--------|
| (Maturity June 30, 2020)(9)                           |        |        |
| Preferred Member Units (6 units; 6%<br>cumulative)(8) | 3,937  | 4,660  |
|   | 26,441 | 27,331 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|---|---|--------------|---------|------------|
| CAI Software LLC                             | Provider of Specialized Enterprise Resource Planning Software | 12% Secured Debt (Maturity October 10, 2019)  | 3,683        | 3,660   | 3,683      |
|  |   | Member Units (65,356 units)(8)  |              | 654     | 2,480      |
|  |   |   |              | 4,314   | 6,163      |
| CapFusion, LLC(13)                           | Non-Bank Lender to Small Businesses                           | 13% Secured Debt (Maturity March 25, 2021)  | 14,400       | 13,202  | 13,202     |
|  |   | Warrants (1,600 equivalent units)   |              | 1,200   | 1,200      |
|  |   |   |              | 14,402  | 14,402     |
| Chandler Signs Holdings, LLC(10)             | Sign Manufacturer   | 12% Secured Debt (Maturity July 4, 2021)  | 4,500        | 4,461   | 4,500      |
|  |   | Class A Units (1,500,000 units)(8)  |              | 1,500   | 3,240      |
|  |   |   |              | 5,961   | 7,740      |
| Condit Exhibits, LLC                         | Tradeshaw Exhibits / Custom Displays Provider                 | Member Units (3,936 units)(8)   |              | 100     | 1,840      |
| Congruent Credit Opportunities Funds(12)(13) | Investment Partnership  | LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  |              | 5,730   | 1,518      |
|  |   | LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) |              | 15,754  | 16,181     |
|  |   |   |              | 21,484  | 17,699     |
| Daseke, Inc.                                 | Specialty Transportation Provider                             | 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018)                        | 21,799       | 21,632  | 21,799     |
|  |   | Common Stock (19,467 shares)  |              | 5,213   | 24,063     |
|  |   |   |              | 26,845  | 45,862     |
| Dos Rios Partners(12)(13)                    | Investment Partnership  | LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)                          |              | 5,996   | 4,925      |
|  |   | LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)                         |              | 1,904   | 1,444      |
|  |   |   |              |         |            |

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|  |   |                                    |       |       |
|--|---|------------------------------------|-------|-------|
|  |   |                                    | 7,900 | 6,369 |
| <b>Dos Rios Stone Products LLC(10)</b> | Limestone and Sandstone<br>Dimension Cut Stone<br>Mining Quarries | Class A Units (2,000,000 units)(8) | 2,000 | 2,070 |
| <b>East Teak Fine Hardwoods, Inc.</b>  | Distributor of Hardwood<br>Products                               | Common Stock (6,250 shares)(8)     | 480   | 860   |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|---|--|--------------|---------|------------|
| <b>East West Copolymer &amp; Rubber, LLC</b>    | Manufacturer of Synthetic Rubbers   | 12% Current / 2% PIK Secured Debt (Maturity October 17, 2019)                | 9,699        | 9,591   | 8,630      |
|   |   | Warrants (2,510,790 equivalent units)  |              | 50      |            |
|   |   |  |              | 9,641   | 8,630      |
| <b>EIG Fund Investments(12)(13)</b>             | Investment Partnership  | LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 11.1%)(8) |              | 2,804   | 2,804      |
| <b>EIG Traverse Co-Investment, L.P.(12)(13)</b> | Investment Partnership  | LP Interests (Fully diluted 22.2%)(8)  |              | 9,805   | 9,905      |
| <b>Freeport Financial Funds(12)(13)</b>         | Investment Partnership  | LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)       |              | 5,974   | 5,620      |
|   |   | LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.0%)(8)  |              | 4,763   | 4,763      |
|   |   |  |              | 10,737  | 10,383     |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b>  | Purchases and Manages Collection of Healthcare and other Business Receivables | 10% Current Secured Debt (Maturity January 1, 2019)                          | 13,046       | 13,046  | 11,079     |
|   |   | Warrants (29,025 equivalent units)   |              | 400     |            |
|   |   |  |              | 13,446  | 11,079     |
| <b>Glowpoint, Inc.</b>                          | Provider of Cloud Managed Video Collaboration Services                        | 12% Secured Debt (Maturity October 18, 2018)                                 | 9,000        | 8,949   | 3,997      |
|   |   | Common Stock (7,711,517 shares)  |              | 3,958   | 2,080      |
|   |   |  |              | 12,907  | 6,077      |
| <b>Guerdon Modular Holdings, Inc.</b>           | Multi-Family and Commercial Modular Construction Company                      | 9% Current / 4% PIK Secured Debt (Maturity August 13, 2019)                  | 10,708       | 10,594  | 10,594     |
|   |   | Preferred Stock (404,998 shares)   |              | 1,140   | 1,140      |
|   |   | Common Stock (212,033 shares)  |              | 2,983   | 80         |
|   |   |  |              | 14,717  | 11,814     |



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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                        | Business Description   | Type of Investment(2)(3)                                      | Principal(4) | Cost(4) | Fair Value |        |
|---|--|---|--------------|---------|------------|--------|
| <b>Hawk Ridge Systems, LLC(13)</b>          | Value-Added Reseller of Engineering Design and Manufacturing Solutions | 10% Secured Debt (Maturity December 2, 2021)                  | 10,000       | 9,901   | 9,901      |        |
|   |  | Preferred Member Units (226 units)(8)                         |              | 2,850   | 2,850      |        |
|   |  | Preferred Member Units (HRS Services, ULC) (226 units)        |              |         | 150        | 150    |
|   |  |   |              |         | 12,901     | 12,901 |
| <b>Houston Plating and Coatings, LLC</b>    | Provider of Plating and Industrial Coating Services                    | Member Units (265,756 units)                                  |              | 1,429   | 4,000      |        |
| <b>I-45 SLF LLC(12)(13)</b>                 | Investment Partnership   | Member units (Fully diluted 20.0%; 24.4% profits interest)(8) |              | 14,200  | 14,586     |        |
| <b>Indianhead Pipeline Services, LLC</b>    | Provider of Pipeline Support Services                                  | 12% Secured Debt (Maturity February 6, 2017)                  | 5,100        | 5,079   | 5,079      |        |
|   |  | Preferred Member Units (33,819 units; 8% cumulative)(8)       |              | 2,339   | 2,677      |        |
|   |  | Warrants (31,928 equivalent units)                            |              |         | 459        |        |
|   |  | Member Units (14,732 units)                                   |              |         | 1          |        |
|   |  |   |              | 7,878   | 7,756      |        |
| <b>KBK Industries, LLC</b>                  | Manufacturer of Specialty Oilfield and Industrial Products             | 10% Secured Debt (Maturity September 28, 2017)                | 1,250        | 1,250   | 1,250      |        |
|   |  | 12.5% Secured Debt (Maturity September 28, 2017)              | 5,900        | 5,889   | 5,889      |        |
|   |  | Member Units (250 units)                                      |              | 341     | 2,780      |        |
|   |  |   |              | 7,480   | 9,919      |        |
| <b>L.F. Manufacturing Holdings, LLC(10)</b> | Manufacturer of Fiberglass Products                                    | Member Units (2,179,001 units)                                |              | 2,019   | 1,380      |        |
| <b>OnAsset Intelligence, Inc.</b>           | Provider of Transportation Monitoring / Tracking Products and Services | 12% PIK Secured Debt (Maturity December 31, 2015)(17)         | 4,519        | 4,519   | 4,519      |        |
|   |  | Preferred Stock (912 shares; 7% cumulative)                   |              |         | 1,981      |        |

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Warrants (5,333 equivalent shares)

1,919

8,419

4,519

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|---|---|--------------|---------|------------|
| <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   | 1,600      |
|  |   |   |              | 1,844   | 2,073      |
| <b>PCI Holding Company, Inc.</b>                             | Manufacturer of Industrial Gas Generating Systems                   | 12% Secured Debt (Maturity March 31, 2019)  | 13,000       | 12,898  | 13,000     |
|  |   | Preferred Stock (1,500,000 shares; 20% cumulative)(8)   |              | 3,379   | 5,370      |
|  |   |   |              | 16,277  | 18,370     |
| <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)(15)   | 30,785       | 30,281  | 250        |
|  |   | Preferred Member Units (250 units)  |              | 2,500   |            |
|  |   |   |              | 32,781  | 250        |
| <b>Tin Roof Acquisition Company</b>                          | Casual Restaurant Group   | 12% Secured Debt (Maturity November 13, 2018)   | 13,511       | 13,385  | 13,385     |
|  |   | Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)                                  |              | 2,738   | 2,738      |
|  |   |   |              | 16,123  | 16,123     |
| <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) | 5,021        | 5,010   | 5,021      |
|  |   | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity January 13, 2019)(9) | 824          | 824     | 824        |
|  |   | 15% PIK Unsecured Debt (Maturity July 13, 2019)   | 745          | 745     | 745        |
|  |   | Preferred Stock (4,935,377 shares; 13.5% cumulative)(8)   |              | 5,814   | 6,410      |
|  |   | Common Stock (705,054 shares)   |              |         | 3,010      |
|  |   |   | 12,393       | 16,010  |            |





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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)   | Principal(4) | Cost(4)           | Fair Value        |
|--|--|--|--------------|-------------------|-------------------|
| <b>Universal Wellhead Services Holdings, LLC(10)</b>                             | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Preferred Member Units (UWS Investments, LLC) (716,949 units; 14% cumulative)                        |              | 717               | 720               |
|  |  | Member Units (UWS Investments, LLC) (4,000,000 units)  |              | 4,000             | 610               |
|  |  |  |              | 4,717             | 1,330             |
| <b>Valley Healthcare Group, LLC</b>  | Provider of Durable Medical Equipment  | LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.12%, Secured Debt (Maturity December 29, 2020)(9) | 12,956       | 12,844            | 12,844            |
|  |  | Preferred Member Units (Valley Healthcare Holding, LLC) (1,600 units)                                |              | 1,600             | 1,600             |
|  |  |  |              | 14,444            | 14,444            |
| <b>Volusion, LLC</b>   | Provider of Online Software-as-a-Service eCommerce Solutions                     | 11.5% Secured Debt (Maturity January 26, 2020)   | 17,500       | 15,298            | 15,298            |
|  |  | Preferred Member Units (4,876,670 units)   |              | 14,000            | 14,000            |
|  |  | Warrants (1,831,355 equivalent units)  |              | 2,576             | 2,576             |
|  |  |  |              | 31,874            | 31,874            |
| <b>Subtotal Affiliate Investments (18.8% of total investments at fair value)</b> |  |  |              | <b>\$ 394,699</b> | <b>\$ 375,948</b> |

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments (Continued)

December 31, 2016  
(dollars in thousands)

| Portfolio Company(1)                                | Business Description   | Type of Investment(2)(3)  | Principal(4)    | Cost(4)         | Fair Value      |
|---|--|---|-----------------|-----------------|-----------------|
| <b>Non-Control/Non-Affiliate Investments(7)</b>     |  |   |                 |                 |                 |
| <b>Adams Publishing Group, LLC(10)</b>              | Local Newspaper Operator   | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 3, 2020)(9)   | \$ 7,662        | \$ 7,544        | \$ 7,662        |
| <b>Ahead, LLC(10)</b>                               | IT Infrastructure Value Added Reseller                           | LIBOR Plus 6.50%, Current Coupon<br>7.50%, Secured Debt<br>(Maturity November 2, 2020)  | 14,250          | 13,906          | 14,303          |
| <b>Allflex Holdings III Inc.(11)</b>                | 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)  | 14,795          | 14,706          | 14,809          |
| <b>American Scaffold Holdings, Inc.(10)</b>         | Marine Scaffolding Service Provider                              | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity March 31, 2022)(9)   | 7,359           | 7,258           | 7,323           |
| <b>American Seafoods Group, LLC(11)</b>             | Catcher and Processor of Alaskan Pollock                         | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity August 19, 2021)(9)  | 9,634           | 9,624           | 9,634           |
| <b>American Teleconferencing Services, Ltd.(11)</b> | Provider of Audio Conferencing and Video Collaboration Solutions | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 8, 2021)(9)<br>LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity June 6, 2022)(9) | 11,163<br>3,714 | 10,345<br>3,569 | 10,933<br>3,569 |
|   |  |   |                 | 13,914          | 14,502          |
| <b>Anchor Hocking, LLC(11)</b>                      | Household Products Manufacturer                                  | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured Debt<br>(Maturity June 4, 2018)(9)<br>Member Units (440,620 units)  | 2,277           | 2,277<br>4,928  | 2,231<br>3,305  |
|   |  |   |                 | 7,205           | 5,536           |

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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) | 7,209 | 7,099 | 7,194 |
|-----------------------------|---|--|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)         | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)      | Fair Value   |
|------------------------------|---|---|--------------|--------------|--------------|
| Apex Linen Service, Inc.     | Industrial Launderers   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity October 30, 2022)(9)   | 2,400        | 2,400        | 2,400        |
|                              |   | 13% Secured Debt (Maturity October 30,<br>2022)   | 14,416       | 14,337       | 14,337       |
|                              |   |   |              | 16,737       | 16,737       |
| Applied Products, Inc.(10)   | Adhesives Distributor   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity September 30, 2019)(9) | 3,527        | 3,499        | 3,518        |
| Arcus Hunting LLC.(10)       | Manufacturer of<br>Bowhunting and Archery<br>Products and Accessories | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 13, 2019)(9)  | 13,947       | 13,796       | 13,947       |
| Artel, LLC(11)               | Provider of Secure<br>Satellite Network and IT<br>Solutions           | LIBOR Plus 7.00% (Floor 1.25%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity November 27, 2017)(9)  | 7,050        | 6,920        | 6,592        |
| ATI Investment Sub, Inc.(11) | Manufacturer of Solar<br>Tracking Systems                             | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity June 22, 2021)(9)      | 9,500        | 9,322        | 9,476        |
| ATS Workholding, Inc.(10)    | Manufacturer of<br>Machine Cutting Tools<br>and Accessories           | LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity March 10, 2019)(9)    | 6,173        | 6,146        | 5,924        |
| ATX Networks Corp.(11)(13)   | Provider of Radio<br>Frequency Management<br>Equipment                | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity June 11, 2021)(9)      | 11,790       | 11,604       | 11,584       |
| Berry Aviation, Inc.(10)     | Airline Charter Service<br>Operator                                   | 12.00% Current / 1.75% PIK Secured<br>Debt (Maturity January 30, 2020)<br>Common Stock (553 shares)       | 5,627        | 5,588<br>400 | 5,627<br>820 |

5,988

6,447

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                               | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)                 | Fair Value              |
|--|---|--|--------------|-------------------------|-------------------------|
| <b>Bluestem Brands, Inc.(11)</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)  | 12,880       | 12,635                  | 11,227                  |
| <b>Brainworks Software, LLC(10)</b>                | Advertising Sales and Newspaper Circulation Software                            | Prime Plus 9.25% (Floor 3.25%), Current Coupon 13.00%, Secured Debt (Maturity July 22, 2019)(9)  | 6,733        | 6,684                   | 6,733                   |
| <b>Brightwood Capital Fund Investments(12)(13)</b> | Investment Partnership  | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.6%)(8)<br>LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.9%) |              | 12,000<br>500<br>12,500 | 11,094<br>500<br>11,594 |
| <b>Brundage-Bone Concrete Pumping, Inc.(11)</b>    | Construction Services Provider  | 10.375% Secured Debt (Maturity September 1, 2021)  | 3,000        | 2,985                   | 3,240                   |
| <b>California Pizza Kitchen, Inc.(11)</b>          | Casual Restaurant Group   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 23, 2022)(9)   | 4,988        | 4,940                   | 4,976                   |
| <b>Cenveo Corporation(11)</b>                      | Provider of Commercial Printing, Envelopes, Labels, and Printed Office Products | 6% Secured Debt (Maturity August 1, 2019)  | 13,130       | 11,097                  | 11,719                  |
| <b>CDHA Management, LLC(10)</b>                    | Dental Services   | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity December 5, 2021)(9)  | 4,491        | 4,415                   | 4,415                   |
| <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       | 14,141                  | 8,724                   |
| <b>Clarius BIGS, LLC(10)</b>                       | Prints & Advertising Film Financing   | 15% PIK Secured Debt (Maturity January 5, 2015)(14)(17)  | 2,928        | 2,928                   | 88                      |

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|                                      |                         |   |       |       |       |
|--------------------------------------|-------------------------|---|-------|-------|-------|
| <b>Compact Power Equipment, Inc.</b> | Equipment / Tool Rental | 12% Secured Debt (Maturity October 1, 2017) | 4,100 | 4,095 | 4,100 |
|                                      |                         | Series A Preferred Stock (4,298,435 shares) |       | 1,079 | 4,180 |
|                                      |                         |   |       | 5,174 | 8,280 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description   | Type of Investment(2)(3)   | Principal(4) | Cost(4)        | Fair Value     |
|---|--|--|--------------|----------------|----------------|
| <b>Compuware Corporation(11)</b>                | Provider of Software and Supporting Services   | LIBOR Plus 5.25% (Floor 1.00%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity December 15, 2019)(9)                             | 8,345        | 8,187          | 8,398          |
| <b>Construction Supply Investments, LLC(10)</b> | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity June 30, 2023)(9)<br>Member Units (20,000 units) | 8,500        | 8,416<br>2,000 | 8,416<br>2,000 |
|   |  |  |              | 10,416         | 10,416         |
| <b>ContextMedia Health, LLC(11)</b>             | Provider of Healthcare Media Content   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 23, 2021)(9)                             | 8,000        | 7,201          | 7,320          |
| <b>Covenant Surgical Partners, Inc.(11)</b>     | Ambulatory Surgical Centers  | 8.75% Secured Debt (Maturity August 1, 2019)   | 800          | 800            | 772            |
| <b>CRGT Inc.(11)</b>                            | Provider of Custom Software Development  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 19, 2020)(9)                             | 6,366        | 6,286          | 6,382          |
| <b>CST Industries Inc.(11)</b>                  | Storage Tank Manufacturer  | LIBOR Plus 6.25% (Floor 1.50%),<br>Current Coupon 7.75%, Secured Debt<br>(Maturity May 22, 2017)(9)                                  | 9,102        | 9,084          | 9,102          |
| <b>Darr Equipment LP(10)</b>                    | Heavy Equipment Dealer   | 12% Current / 2% PIK Secured Debt<br>(Maturity April 15, 2020)<br>Warrants (915,734 equivalent units)                                | 21,130       | 20,697<br>474  | 20,748<br>10   |
|   |  |  |              | 21,171         | 20,758         |
| <b>Digital River, Inc.(11)</b>                  | Provider of Outsourced e-Commerce Solutions and Services   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity February 12, 2021)(9)                             | 15,184       | 15,086         | 15,317         |



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Digital Room LLC(11)

Pure-Play e-Commerce  
Print Business

LIBOR Plus 6.00% (Floor 1.00%),  
Current Coupon 7.00%, Secured Debt  
(Maturity November 21, 2022)(9)

7,625

7,475

7,549

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|--|---|--------------|---------|------------|
| <b>Drilling Info Holdings, Inc.</b>                            | Information Services for the Oil and Gas Industry                  | Common Stock (3,788,865 shares)   |              | 1,335   | 10,410     |
| <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<br>(Maturity November 26, 2019)(9) | 5,625        | 5,589   | 5,625      |
| <b>EnCap Energy Fund Investments(12)(13)</b>                   | Investment Partnership   | LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)                               |              | 3,877   | 1,955      |
|  |  | LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.4%)                     |              | 2,200   | 1,225      |
|  |  | LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)                                 |              | 3,957   | 3,680      |
|  |  | LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)                                     |              | 3,039   | 3,039      |
|  |  | LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)                             |              | 9,116   | 10,452     |
|  |  | LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)(8)                            |              | 2,513   | 2,461      |
|  |  |   |              | 24,702  | 22,812     |
| <b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)(13)</b> | Technology-based Performance Support Solutions                     | LIBOR Plus 8.25% (Floor 1.00%),<br>Current Coupon 9.25%, Secured Debt<br>(Maturity April 28, 2022)(9)     | 7,000        | 6,857   | 5,274      |
| <b>Flavors Holdings Inc.(11)</b>                               | Global Provider of Flavoring and Sweetening Products and Solutions | LIBOR Plus 5.75% (Floor 1.00%),<br>Current Coupon 6.75%, Secured Debt<br>(Maturity April 3, 2020)(9)      | 12,483       | 12,082  | 10,174     |
| <b>GI KBS Merger Sub LLC(11)</b>                               | Outsourced Janitorial Services to Retail/Grocery Customers         | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity October 29, 2021)(9)   | 3,900        | 3,851   | 3,842      |
|  |  | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity April 29, 2022)(9)     | 800          | 787     | 760        |
|  |  |   |              | 4,638   | 4,602      |



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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                      | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Grace Hill, LLC(10)</b>                | Online Training Tools for the Multi-Family Housing Industry                            | Prime Plus 5.25% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity August 15, 2019)(9)  | 634          | 623     | 634        |
|   |  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)  | 11,552       | 11,472  | 11,552     |
|   |  |   |              | 12,095  | 12,186     |
| <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) | 7,648        | 7,598   | 7,648      |
| <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) | 4,813        | 4,787   | 3,734      |
|   |  | 13.75% Secured Debt (Maturity July 31, 2018)  | 2,000        | 1,962   | 1,205      |
|   |  |   |              | 6,749   | 4,939      |
| <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)    | 13,317       | 13,215  | 13,017     |
| <b>Guitar Center, Inc.(11)</b>            | Musical Instruments Retailer   | 6.5% Secured Debt (Maturity April 15, 2019)   | 14,625       | 13,890  | 13,272     |
| <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)    | 5,432        | 5,390   | 5,432      |
| <b>Hoover Group, Inc.(10)(13)</b>         | Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity January 28, 2021)(9) | 8,546        | 7,963   | 7,963      |

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Horizon Global Corporation(11)(13)

Auto Parts Manufacturer

LIBOR Plus 6.00% (Floor 1.00%),  
Current Coupon 7.00%, Secured Debt  
(Maturity June 30, 2021)(9)

9,375

9,249

9,551

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)      | Fair Value     |
|---|---|--|--------------|--------------|----------------|
| <b>Hostway Corporation(11)</b>                  | Managed Services and Hosting Provider                       | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity December 13, 2019)(9)   | 10,577       | 10,515       | 10,028         |
| <b>Hunter Defense Technologies, Inc.(11)</b>    | Provider of Military and Commercial Shelters and Systems    | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 5, 2019)(9)  | 9,606        | 9,120        | 8,933          |
| <b>Hygea Holdings, Corp.(10)</b>                | Provider of Physician Services                              | LIBOR Plus 9.25%, Current Coupon 10.17%, Secured Debt (Maturity February 24, 2019) Warrants (5,990,452 equivalent shares)                  | 7,875        | 7,381<br>369 | 7,615<br>1,530 |
|   |   |  |              | 7,750        | 9,145          |
| <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)   | 9,918        | 9,467        | 9,621          |
| <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)   | 6,750        | 6,455        | 6,809          |
| <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)   | 8,949        | 8,932        | 8,949          |
| <b>Industrial Services Acquisition, LLC(10)</b> | Industrial Cleaning Services                                | 11.25% Current / 0.75% PIK Unsecured Debt (Maturity December 17, 2022) Member Units (Industrial Services Investments, LLC) (900,000 units) | 4,519        | 4,433<br>900 | 4,433<br>900   |
|   |   |  |              | 5,333        | 5,333          |
| <b>Infinity Acquisition Finance Corp.(11)</b>   | Application Software for Capital Markets                    | 7.25% Unsecured Debt (Maturity August 1, 2022)   | 5,700        | 5,366        | 4,802          |

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|   |                                 |  |       |       |       |
|---|---------------------------------|--|-------|-------|-------|
| <b>Inn of the Mountain Gods Resort and Casino(11)</b> | Hotel & Casino Owner & Operator | 9.25% Secured Debt<br>(Maturity November 30, 2020) | 6,249 | 5,924 | 5,687 |
|---|---------------------------------|--|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                               | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|---|---|--------------|---------|------------|
| <b>Intertain Group Limited(11)(13)</b>             | Business-to-Consumer<br>Online Gaming Operator                            | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity April 8, 2022)(9)  | 4,426        | 4,364   | 4,465      |
| <b>iPayment, Inc.(11)</b>                          | Provider of Merchant<br>Acquisition                                       | LIBOR Plus 5.25% (Floor 1.50%),<br>Current Coupon 6.75%, Secured Debt<br>(Maturity May 8, 2017)(9)  | 14,918       | 14,907  | 14,395     |
| <b>iQor US Inc.(11)</b>                            | Business Process<br>Outsourcing Services<br>Provider                      | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity April 1, 2021)(9)  | 9,812        | 9,671   | 9,413      |
| <b>irth Solutions, LLC</b>                         | Provider of Damage<br>Prevention Information<br>Technology Services       | Member Units (27,893 units)   |              | 1,441   | 1,790      |
| <b>Jackmont Hospitality, Inc.(10)</b>              | Franchisee of Casual<br>Dining Restaurants                                | LIBOR Plus 4.25% (Floor 1.00%),<br>Current Coupon 5.25% / 2.50% PIK,<br>Current Coupon Plus PIK 7.75%, Secured<br>Debt (Maturity May 26, 2021)(9) | 4,445        | 4,429   | 4,445      |
| <b>Joerns Healthcare, LLC(11)</b>                  | Manufacturer and<br>Distributor of Health<br>Care Equipment &<br>Supplies | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity May 9, 2020)(9)  | 14,655       | 14,560  | 13,776     |
| <b>JSS Holdings, Inc.(11)</b>                      | Aircraft Maintenance<br>Program Provider                                  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity August 31, 2021)(9)  | 12,829       | 12,562  | 12,765     |
| <b>Kendra Scott, LLC(11)</b>                       | Jewelry Retail Stores   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity July 17, 2020)(9)  | 5,578        | 5,536   | 5,550      |
| <b>Keypoint Government<br/>Solutions, Inc.(11)</b> | Provider of<br>Pre-Employment<br>Screening Services                       | LIBOR Plus 6.50% (Floor 1.25%),<br>Current Coupon 7.75%, Secured Debt   | 5,459        | 5,443   | 5,431      |



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(Maturity November 13, 2017)(9)

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

**December 31, 2016**  
**(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>LaMi Products, LLC(10)</b>                     | General Merchandise Distribution  | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 16, 2020)(9)   | 10,735              | 10,658            | 10,735            |
| <b>Larchmont Resources, LLC(11)</b>               | Oil & Gas Exploration & Production  | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, PIK Secured Debt (Maturity August 7, 2020)(9)<br>Member Units (Larchmont Intermediate Holdco, LLC) (2,828 units) | 2,260               | 2,260<br>353      | 2,209<br>1,193    |
|   |   |   |                     | 2,613             | 3,402             |
| <b>LKCM Headwater Investments I, L.P.(12)(13)</b> | Investment Partnership  | LP Interests (Fully diluted 2.3%)   |                     | 2,500             | 3,627             |
| <b>Logix Acquisition Company, LLC(10)</b>         | Competitive Local Exchange Carrier  | LIBOR Plus 8.28% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity June 24, 2021)(9)  | 8,593               | 8,457             | 8,593             |
| <b>Looking Glass Investments, LLC(12)(13)</b>     | Specialty Consumer Finance  | 9% Unsecured Debt (Maturity June 30, 2020)<br>Member Units (2.5 units)<br>Member Units (LGI Predictive Analytics LLC) (190,712 units)(8)                                | 188                 | 188<br>125<br>160 | 188<br>125<br>160 |
|   |   |   |                     | 473               | 473               |
| <b>Messenger, LLC(10)</b>                         | Supplier of Specialty Stationery and Related Products to the Funeral Industry | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity September 9, 2020)(9)  | 14,403              | 14,326            | 14,403            |
| <b>Minute Key, Inc.</b>                           | Operator of Automated Key Duplication Kiosks                                  | 10% Current / 2% PIK Secured Debt (Maturity September 19, 2019)<br>Warrants (1,437,409 equivalent units)  | 15,700              | 15,404<br>280     | 15,404<br>470     |
|   |   |   |                     | 15,684            | 15,874            |
| <b>Mood Media Corporation(11)(13)</b>             | Provider of Electronic Equipment  |   |                     |                   |                   |

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|  |        |        |        |
|--|--------|--------|--------|
| LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity May 1, 2019)(9) | 14,805 | 14,645 | 14,312 |
|--|--------|--------|--------|

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

**December 31, 2016**  
(dollars in thousands)

| Portfolio Company(1)                             | Business Description                                  | Type of Investment(2)(3)  | Principal(4) | Cost(4)               | Fair Value          |
|--|---|---|--------------|-----------------------|---------------------|
| <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)                               | 14,888       | 14,632                | 14,813              |
| <b>North American Lifting Holdings, Inc.(11)</b> | Crane Service Provider                                | LIBOR Plus 4.50% (Floor 1.00%),<br>Current Coupon 5.50%, Secured Debt<br>(Maturity November 27, 2020)(9)                          | 3,865        | 3,235                 | 3,375               |
| <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)                           | 9,396        | 9,343                 | 9,337               |
| <b>Novitex Intermediate, LLC(11)</b>             | Provider of Document Management Services              | LIBOR Plus 6.75% (Floor 1.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity July 7, 2020)(9)                               | 9,335        | 9,175                 | 8,985               |
| <b>NTM Acquisition Corp.(11)</b>                 | Provider of B2B Travel Information Content            | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity June 7, 2022)(9)                               | 4,144        | 4,085                 | 4,128               |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>   | Estrogen-Deficiency Drug Manufacturer and Distributor | 11.5% Secured Debt<br>(Maturity November 15, 2026)(14)  | 5,071        | 5,071                 | 2,088               |
| <b>Pardus Oil and Gas, LLC(11)</b>               | Oil & Gas Exploration & Production                    | 13% PIK Secured Debt<br>(Maturity November 12, 2021)<br>5% PIK Secured Debt (Maturity May 13, 2022)<br>Member Units (2,472 units) | 1,869<br>992 | 1,869<br>992<br>2,472 | 1,869<br>562<br>970 |
|  |   |   |              | 5,333                 | 3,401               |
| <b>Paris Presents Incorporated(11)</b>           | Branded Cosmetic and Bath Accessories                 | LIBOR Plus 8.75% (Floor 1.00%),<br>Current Coupon 9.75%, Secured Debt<br>(Maturity December 31, 2021)(9)                          | 2,000        | 1,969                 | 1,960               |
| <b>Parq Holdings Limited Partnership(11)(13)</b> | Hotel & Casino Operator                               |   |              |                       |                     |

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|  |       |       |       |
|--|-------|-------|-------|
| LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity December 17, 2020)(9) | 7,500 | 7,394 | 7,388 |
|--|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                          | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)          | Fair Value |  |
|---|---|---|--------------|------------------|------------|--|
| <b>Permian Holdco 2, Inc.(11)</b>             | Storage Tank<br>Manufacturer  | 14% PIK Unsecured Debt<br>(Maturity October 15, 2021)   | 198          | 198              | 198        |  |
|   |   | Preferred Stock (Permian Holdco 1, Inc.)<br>(154,558 units)   |              | 799              | 799        |  |
|   |   | Common Stock (Permian Holdco 1, Inc.)<br>(154,558 units)  |              |                  |            |  |
|   |   |   |              | 997              | 997        |  |
| <b>Pernix Therapeutics Holdings, Inc.(10)</b> | Pharmaceutical Royalty  | 12% Secured Debt (Maturity August 1,<br>2020)   | 3,447        | 3,447            | 3,326      |  |
| <b>Pet Holdings ULC(11)(13)</b>               | Retailer of Pet Products<br>and Supplies to<br>Consumers  | LIBOR Plus 5.50% (Floor 1.00%),<br>Current Coupon 6.50%, Secured Debt<br>(Maturity July 5, 2022)(9)       | 2,494        | 2,470            | 2,503      |  |
| <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)      | 14,000       | 13,720           | 14,082     |  |
| <b>Point.360(10)</b>                          | Fully Integrated Provider<br>of Digital Media<br>Services   | Warrants (65,463 equivalent shares)<br>Common Stock (163,658 shares)                                      |              | 69<br>273<br>342 | 63<br>63   |  |
| <b>Polycom, Inc.(11)</b>                      | Provider of Audio and<br>Video Communication<br>Solutions   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity September 27, 2023)(9) | 12,089       | 11,617           | 12,194     |  |
| <b>PPC/SHIFT LLC(10)</b>                      | Provider of Digital<br>Solutions to Automotive<br>Industry  | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity June 6, 2022)(9)       | 7,000        | 6,852            | 6,852      |  |
| <b>Prowler Acquisition Corp.(11)</b>          |   |   |              |                  |            |  |

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Specialty Distributor to  
the Energy Sector

LIBOR Plus 4.50% (Floor 1.00%),  
Current Coupon 5.50%, Secured Debt  
(Maturity January 28, 2020)(9)

9,519

7,904

7,044

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4)          | Fair Value       |
|--|--|---|--------------|------------------|------------------|
| <b>PT Network, LLC(10)</b>                   | Provider of Outpatient Physical Therapy and Sports Medicine Services   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity November 30, 2021)(9)  | 16,225       | 15,979           | 15,979           |
| <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)     | 11,274       | 11,201           | 11,161           |
| <b>Raley's(11)</b>                           | Family-Owned Supermarket Chain   | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity May 18, 2022)(9)       | 4,195        | 4,125            | 4,242            |
| <b>Redbox Automated Retail, LLC(11)</b>      | Operator of Home Media Entertainment Kiosks                            | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity September 27, 2021)(9) | 15,000       | 14,581           | 14,629           |
| <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        | 2,978            | 2,987            |
| <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)    | 3,910        | 3,826            | 880              |
| <b>RM Bidder, LLC(10)</b>                    | Scripted and Unscripted TV and Digital Programming Provider            | Warrants (327,532 equivalent units)<br>Member Units (2,779 units)                                   |              | 425<br>46<br>471 | 300<br>44<br>344 |
| <b>SAExploration, Inc.(10)(13)</b>           | Geophysical Services Provider  | Common Stock (50 shares)  |              | 65               | 3                |
| <b>SAFETY Investment Holdings, LLC</b>       | Provider of Intelligent Driver Record Monitoring Software and Services |   |              |                  |                  |



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Member Units (2,000,000 units) 2,000 2,000

|                                  |   |        |        |        |
|----------------------------------|---|--------|--------|--------|
| <b>Salient Partners L.P.(11)</b> | Provider of Asset Management Services   |        |        |        |
|                                  | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity June 9, 2021)(9) | 10,812 | 10,538 | 10,352 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                             | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)        | Fair Value     |
|--|---|--|--------------|----------------|----------------|
| School Specialty, Inc.(11)                       | Distributor of Education Supplies and Furniture               | LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity June 11, 2019)(9)                     | 5,712        | 5,632          | 5,784          |
| Sigma Electric Manufacturing Corporation(10)(13) | Manufacturer and Distributor of Electrical Fittings and Parts | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity October 13, 2021)(9)                  | 12,500       | 12,200         | 12,200         |
| Sorenson Communications, Inc.(11)                | Manufacturer of Communication Products for Hearing Impaired   | LIBOR Plus 5.75% (Floor 2.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity April 30, 2020)(9)                    | 13,371       | 13,283         | 13,271         |
| Strike, LLC(11)                                  | Pipeline Construction and Maintenance Services                | LIBOR Plus 8.00% (Floor 1.00%),<br>Current Coupon 9.00%, Secured Debt<br>(Maturity November 30, 2022)(9)                 | 10,000       | 9,666          | 9,864          |
| Subsea Global Solutions, LLC(10)                 | 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)                    | 5,629        | 5,588          | 5,624          |
| Synagro Infrastructure Company, Inc(11)          | Waste Management Services                                     | LIBOR Plus 5.25% (Floor 1.00%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity August 22, 2020)(9)                   | 4,714        | 4,659          | 4,136          |
| Targus International, LLC(11)                    | Distributor of Protective Cases for Mobile Devices            | 15% PIK Secured Debt<br>(Maturity December 31, 2019)<br>Common Stock (Targus Cayman HoldCo Limited) (249,614 shares)(13) | 1,140        | 1,140<br>2,555 | 1,140<br>2,260 |
|  |   |  |              | 3,695          | 3,400          |
| TE Holdings, LLC(11)                             | Oil & Gas Exploration & Production                            | Member Units (97,048 units)  |              | 970            | 728            |



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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                                      | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|---|---|--|--------------|---------|------------|
| <b>TeleGuam Holdings, LLC(11)</b>                         | Cable and Telecom Services Provider                           | LIBOR Plus 4.00% (Floor 1.25%),<br>Current Coupon 5.25%, Secured Debt<br>(Maturity December 10, 2018)(9) | 7,622        | 7,613   | 7,546      |
|   |   | LIBOR Plus 7.50% (Floor 1.25%),<br>Current Coupon 8.75%, Secured Debt<br>(Maturity June 10, 2019)(9)     | 10,500       | 10,442  | 10,290     |
|   |   |  |              | 18,055  | 17,836     |
| <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, 2020)(9)   | 2,218        | 2,208   | 2,226      |
| <b>TMC Merger Sub Corp.(11)</b>                           | Refractory & Maintenance Services Provider                    | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity October 31, 2022)(9)  | 12,500       | 12,376  | 12,438     |
| <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)  | 4,913        | 4,567   | 3,635      |
| <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 7, 2020)(9)  | 10,994       | 10,936  | 10,975     |
| <b>Truck Bodies and Equipment International, Inc.(10)</b> | Manufacturer of Dump Truck Bodies and Dump Trailers           | LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity March 31, 2021)(9)    | 15,750       | 15,602  | 15,602     |
| <b>TVG-I-E CMN ACQUISITION, LLC(10)</b>                   | Organic Lead Generation for Online Postsecondary Schools      | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity November 3, 2021)(9)  | 6,459        | 6,334   | 6,334      |
| <b>Tweddle Group, Inc.(11)</b>                            | Provider of Technical Information Services to Automotive OEMs |  |              |         |            |

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|   |       |       |       |
|---|-------|-------|-------|
| LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity October 21, 2022)(9) | 8,462 | 8,295 | 8,419 |
|---|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                     | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|--|---|--|--------------|---------|------------|
| <b>UniRush, LLC</b>                      | Provider of Prepaid Debit Card Solutions                                      | 12% Secured Debt (Maturity February 1, 2019)   | 12,000       | 10,981  | 12,000     |
|  |   | Warrants (444,725 equivalent units)  |              | 1,250   | 1,250      |
|  |   |  |              | 12,231  | 13,250     |
| <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)    | 11,514       | 11,435  | 11,456     |
| <b>U.S. TelePacific Corp.(10)</b>        | Provider of Communications and Managed Services                               | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity February 24, 2021)(9) | 7,500        | 7,377   | 7,377      |
| <b>VCVH Holding Corp. (Verisk)(11)</b>   | Healthcare Technology Services Focused on Revenue Maximization                | LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 10.25%, Secured Debt (Maturity June 1, 2024)(9)     | 1,500        | 1,464   | 1,488      |
| <b>Virtex Enterprises, LP(10)</b>        | Specialty, Full-Service Provider of Complex Electronic Manufacturing Services | 12% Secured Debt (Maturity December 27, 2018)  | 1,667        | 1,559   | 1,559      |
|  |   | Preferred Class A Units (14 units; 5% cumulative)(8)   |              | 333     | 612        |
|  |   | Warrants (11 equivalent units)   |              | 186     | 220        |
|  |   |  |              | 2,078   | 2,391      |
| <b>Wellnext, LLC(10)</b>                 | Manufacturer of Supplements and Vitamins                                      | LIBOR Plus 9.00% (Floor 0.50%), Current Coupon 9.85%, Secured Debt (Maturity May 23, 2021)(9)      | 10,058       | 9,968   | 10,058     |
| <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        | 4,902   | 4,885      |
| <b>Wilton Brands LLC(11)</b>             | Specialty Housewares Retailer   |  |              |         |            |

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|  |       |       |       |
|--|-------|-------|-------|
| LIBOR Plus 7.25% (Floor 1.25%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity August 30, 2018)(9) | 1,153 | 1,147 | 1,093 |
|--|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description                                  | Type of Investment(2)(3)  | Principal(4) | Cost(4)               | Fair Value            |
|--|---|---|--------------|-----------------------|-----------------------|
| <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) | 6,386        | 6,342                 | 6,386                 |
| <b>YP Holdings LLC(11)</b>   | Online and Offline Advertising Operator               | LIBOR Plus 11.00% (Floor 1.25%), Current Coupon 12.25%, Secured Debt (Maturity June 4, 2018)(9)   | 11,428       | 10,969                | 11,398                |
| <b>Zilliant Incorporated</b>   | Price Optimization and Margin Management Solutions    | Preferred Stock (186,777 shares)<br>Warrants (952,500 equivalent shares)                          |              | 154<br>1,071<br>1,225 | 260<br>1,190<br>1,450 |
| <b>Subtotal Non-Control/Non-Affiliate Investments (51.4% of total investments at fair value)</b> |   |   |              | <b>\$ 1,037,510</b>   | <b>\$ 1,026,676</b>   |
| <b>Total Portfolio Investments, December 31, 2016</b>  |   |   |              | <b>\$ 1,871,883</b>   | <b>\$ 1,996,906</b>   |

- 
- (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)



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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. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2016. As noted in this schedule, 64% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.50% and 2.25%, with a weighted-average LIBOR floor of approximately 1.04%.
- (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) 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.
- (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.

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**Notes to Consolidated Financial Statements**

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**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 a variety of industry sectors. MSCC seeks to partner with entrepreneurs, business owners and management teams and generally provides "one stop" financing alternatives within its LMM portfolio. MSCC and its consolidated subsidiaries invest primarily in secured debt investments, equity investments, warrants and other securities of LMM companies based in the United States and in secured debt investments of Middle Market companies generally headquartered in the United States.

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

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and 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 under the Investment Advisers Act of 1940, as amended. Since the External Investment Manager conducts all of its investment management activities for External Parties, it is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements.

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

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

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**Notes to Consolidated Financial Statements (Continued)**

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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.

**2. Basis of Presentation**

Main Street's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, 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 (see Note C Fair Value Hierarchy for Investments and Debentures Portfolio Composition Investment Portfolio Composition for additional discussion of Main Street's Investment Portfolio and definitions for the terms Private Loan and Other Portfolio). Main Street's results of operations and cash flows for the three months ended March 31, 2017 and 2016, and financial position as of March 31, 2017 and December 31, 2016, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements of Main Street are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three months ended March 31, 2017 and 2016 are not necessarily indicative of the operating results to be expected for the full year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2016. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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. 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

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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.

**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 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 privately held 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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments 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.

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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 and adjusts the fair value for other factors that would affect the fair value of the investment. 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.

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 allocating 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. Due to SEC deadlines for Main Street's quarterly and annual financial reporting, 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 such 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

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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 company. Main Street's estimate of the expected repayment date of its debt securities is generally the 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.

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 investment's fair value for factors known to Main Street that would affect that fund's NAV, including, but not limited to, fair values 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 considers 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, recommendations and an assurance certification 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

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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 and received an assurance certification from its independent financial advisory services firm in arriving at Main Street's determination of fair value on its investments in a total of 12 LMM portfolio companies for the three months ended March 31, 2017, representing approximately 16% of the total LMM portfolio at fair value as of March 31, 2017, and on a total of 11 LMM portfolio companies for the three months ended March 31, 2016, representing approximately 18% of the total LMM portfolio at fair value as of March 31, 2016. Excluding its 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 March 31, 2017 and 2016, as applicable, and its investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded or they hold real estate for which a third-party appraisal is obtained on at least an annual basis, the percentage of the LMM portfolio reviewed and certified by its independent financial advisory services firm for the three months ended March 31, 2017 and 2016 was 18% and 19% of the total LMM portfolio at fair value as of March 31, 2017 and 2016, 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. Because the vast majority of the Middle Market portfolio investments are typically valued using third-party quotes or other independent pricing services (including 95% and 94% of the Middle Market portfolio investments as of March 31, 2017 and December 31, 2016, respectively), Main Street does not generally consult with any financial advisory services firms in connection with determining the fair value of its 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 and an assurance certification regarding the Company's determinations of the fair value of its Private Loan portfolio company investments. The nationally recognized independent financial advisory services firm

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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 and received an assurance certification from its independent financial advisory services firm in arriving at its determination of fair value on its investments in a total of 9 Private Loan portfolio companies for the three months ended March 31, 2017, representing approximately 27% of the total Private Loan portfolio at fair value as of March 31, 2017, and on a total of 10 Private Loan portfolio companies for the three months ended March 31, 2016, representing approximately 36% of the total Private Loan portfolio at fair value as of March 31, 2016. 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 initial investment as of March 31, 2017 and 2016, as applicable, and investments in its Private Loan portfolio companies that were not reviewed because the investment is valued based upon third-party quotes or other independent pricing, the percentage of the Private Loan portfolio reviewed and certified by its independent financial advisory services firm for the three months ended March 31, 2017 and 2016 was 44% and 51% of the total Private Loan portfolio at fair value as of March 31, 2017 and 2016, respectively.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised 5.4% and 5.0%, respectively, of Main Street's Investment Portfolio at fair value as of March 31, 2017 and December 31, 2016. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For Other Portfolio equity investments, Main Street generally determines the fair value of its investments using the NAV valuation method. For its 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 its 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 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 its ability to control the capital structure of the company, as well as the timing of a potential exit, in connection with determining the fair value of the External Investment Manager.



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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 March 31, 2017 and December 31, 2016 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 U.S. GAAP 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 consolidated 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 materially from the values that would have been determined had a ready market for the securities existed.

**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 March 31, 2017, cash balances totaling \$29.9 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.

**4. Interest, Dividend and Fee Income**

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

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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 sold or written off, Main Street removes it from non-accrual status.

As of March 31, 2017, Main Street's total Investment Portfolio had five investments on non-accrual status, which comprised approximately 0.2% of its fair value and 2.7% of its cost. As of December 31, 2016, Main Street's total Investment Portfolio had four investments on non-accrual status, which comprised approximately 0.6% of its fair value and 3.0% of its cost.

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.8. 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 three months ended March 31, 2017 and 2016, (i) approximately 3.4% and 3.1%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.8% and 0.8%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

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 income over the life of the financing.

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

|  | <b>Three Months Ended</b> |                  |
|--|---------------------------|------------------|
|  | <b>March 31,</b>          |                  |
|  | <b>2017</b>               | <b>2016</b>      |
|  | <b>(dollars in</b>        |                  |
|  | <b>thousands)</b>         |                  |
| Interest, fee and dividend income:             |                           |                  |
| Interest income                                | \$ 38,463                 | \$ 32,182        |
| Dividend income                                | 6,982                     | 7,629            |
| Fee income                                     | 2,444                     | 2,064            |
| <b>Total interest, fee and dividend income</b> | <b>\$ 47,889</b>          | <b>\$ 41,875</b> |

**5. 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.10.). 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 revolving credit facility (the "Credit Facility", as discussed further in Note F) and its notes (as discussed further in Note G). These costs have been capitalized and are amortized into interest expense over the term of the individual instrument.

**6. 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 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.

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**(Unaudited)**

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 in Note B.8. 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 interest income. For the three months ended March 31, 2017 and 2016, approximately 3.5% and 2.6%, 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.

**7. 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.

Effective January 1, 2016, Main Street elected early adoption of Accounting Standards Update ("ASU") 2016-09, *Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09," as discussed further below in Note B.12.). ASU 2016-09 requires that all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement and no longer delay recognition of a tax benefit until the tax benefit is realized through a reduction to taxes payable. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. Additionally, ASU 2016-09 allows an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, net of forfeitures, (current GAAP) or account for forfeitures when they occur. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. As such, Main Street has recorded a \$1.8 million adjustment to "Net Unrealized Appreciation, Net of Income Taxes" on the consolidated balance sheet to capture the cumulative tax effect as of January 1, 2016. The company has elected to account for forfeitures as they occur and this change had no impact on its consolidated financial statements. The additional amendments (cash flows classification, minimum statutory tax withholding requirements and classification of awards as either a liability or equity) did not have an effect on Main Street's consolidated financial statements.

**8. 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

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**Notes to Consolidated Financial Statements (Continued)**

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pay corporate-level U.S. federal income taxes on any net ordinary taxable income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax-exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S. federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) the filing of the U.S. federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

The Taxable Subsidiaries primarily hold certain portfolio investments for 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.

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

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

**9. 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.

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**Notes to Consolidated Financial Statements (Continued)**

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**10. 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.

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 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.

**11. 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, therefore, 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.

**12. Recently Issued or Adopted Accounting Standards**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under ASC 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. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarified the implementation guidance regarding performance

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obligations and licensing arrangements. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients*, which clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. In December 2016, the FASB issued ASU No. 2016-20, *Revenue from Contracts with Customers (Topic 606) Technical Corrections and Improvements*, which provided disclosure relief, and clarified the scope and application of the new revenue standard and related cost guidance. 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 expects to identify similar performance obligations under ASC 606 as compared with deliverables and separate units of account previously identified. As a result, Main Street expects timing of its revenue recognition to remain the same.

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 Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on Main Street's consolidated financial statements as none of its investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. While Main Street continues to assess the effect of adoption, Main Street currently believes the most significant change relates to the recognition of a new right-of-use asset and lease liability on its consolidated balance sheet for its office space operating lease. Main Street currently has one operating lease for office space and does not expect a significant change in the leasing activity between now and adoption. See further discussion of the operating lease obligation in Note M.

In March 2016, the FASB issued ASU 2016-09, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in Note B.7.

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In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is not expected to be material.

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 consolidated 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 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.





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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 March 31, 2017 and December 31, 2016, all of Main Street's LMM portfolio investments except for the equity investment in one portfolio company consisted of illiquid securities issued by private companies. The investment which was the exception was in a company with publicly traded equity. 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 March 31, 2017 and December 31, 2016, except for the one publicly traded equity security which was categorized as Level 2.

As of March 31, 2017 and December 31, 2016, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated 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 Middle Market portfolio investments were categorized as Level 3 as of March 31, 2017 and December 31, 2016.

As of March 31, 2017 and December 31, 2016, 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 March 31, 2017 and December 31, 2016.

As of March 31, 2017 and December 31, 2016, 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 March 31, 2017 and December 31, 2016.

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;

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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;

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

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, 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

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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.

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The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of March 31, 2017 and December 31, 2016:

| Type of Investment        | Fair Value as of March 31, 2017<br>(in thousands) | Valuation Technique                  | Significant Unobservable Inputs        | Range(3)        | Weighted Average(3) | Median(3) |
|---------------------------|---|--------------------------------------|--|-----------------|---------------------|-----------|
| Equity investments        | \$ 579,449  | Discounted cash flow                 | Weighted-average cost of capital       | 10.1% - 22.7%   | 12.7%               | 13.3%     |
|                           |   | Market comparable / Enterprise Value | EBITDA multiple(1)                     | 4.5x - 8.5x(2)  | 7.1x                | 6.0x      |
| Debt investments          | \$ 818,956  | Discounted cash flow                 | Risk adjusted discount factor          | 7.4% - 16.0%(2) | 11.4%               | 11.1%     |
|                           |   |                                      | Expected principal recovery percentage | 3.0% - 100.0%   | 99.8%               | 100.0%    |
| Debt investments          | \$ 578,703  | Market approach                      | Third-party quote                      | 15.0 - 105.0    |                     |           |
| Total Level 3 investments | \$ 1,977,108                                      |                                      |  |                 |                     |           |

- (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 3.5x - 17.5x and the range for risk adjusted discount factor is 4.8% - 43.0%.
- (3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

| Type of Investment        | Fair Value as of December 31, 2016<br>(in thousands) | Valuation Technique                  | Significant Unobservable Inputs        | Range(3)        | Weighted Average(3) | Median(3) |
|---------------------------|--|--------------------------------------|--|-----------------|---------------------|-----------|
| Equity investments        | \$ 567,003   | Discounted cash flow                 | Weighted-average cost of capital       | 10.4% - 23.1%   | 13.0%               | 13.7%     |
|                           |  | Market comparable / Enterprise Value | EBITDA multiple(1)                     | 4.5x - 8.5x(2)  | 7.1x                | 6.0x      |
| Debt investments          | \$ 808,895   | Discounted cash flow                 | Risk adjusted discount factor          | 7.4% - 15.9%(2) | 11.8%               | 11.6%     |
|                           |  |                                      | Expected principal recovery percentage | 3.0% - 100.0%   | 99.7%               | 100.0%    |
| Debt investments          | \$ 618,928   | Market approach                      | Third-party quote                      | 22.5 - 108.0    |                     |           |
| Total Level 3 investments | \$ 1,994,826   |                                      |  |                 |                     |           |

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- (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 3.3x - 17.5x and the range for risk adjusted discount factor is 4.8% - 38.0%.
- (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 three month periods ended March 31, 2017 and 2016 (amounts in thousands):

| Type of Investment | Fair Value<br>as of<br>December 31,<br>2016 | Transfers<br>Into<br>Level 3<br>Hierarchy | Redemptions/<br>Repayments | New<br>Investments | Net<br>Changes<br>from<br>Unrealized<br>to<br>Realized | Net<br>Unrealized<br>Appreciation<br>(Depreciation) | Other(1)   | Fair Value<br>as of<br>March 31,<br>2017 |
|--------------------|---|---|----------------------------|--------------------|--|---|------------|--|
| Debt               | \$ 1,427,823                                | \$  | \$ (190,366)               | \$ 175,026         | \$ 1,340   | \$ (10,108)   | \$ (6,056) | \$ 1,397,659                             |
| Equity             | 549,453                                     |   | (9,119)                    | 25,691             | (19,775)   | 11,876  | 6,056      | 564,182                                  |
| Equity Warrant     | 17,550                                      |   | (1,673)                    | 331                | (1,107)  | 166   |            | 15,267                                   |
|                    | \$ 1,994,826                                | \$  | \$ (201,158)               | \$ 201,048         | \$ (19,542)  | \$ 1,934  | \$         | \$ 1,977,108                             |

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

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| Type of Investment | Fair Value as of December 31, 2015 | 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 March 31, 2016 |
|--------------------|------------------------------------|----------------------------------|-------------------------|-----------------|---|--|------------|---------------------------------|
| Debt               | \$ 1,265,544                       | \$                               | \$ (70,061)             | \$ 101,465      | \$ 4,510                                | \$ (11,905)                                | \$ (2,556) | \$ 1,286,997                    |
| Equity             | 519,966                            |                                  | (5,987)                 | 16,959          | (16,816)                                | (1,035)                                    | 2,556      | 515,643                         |
| Equity Warrant     | 10,646                             |                                  |                         | 2,819           |   | (1,044)                                    |            | 12,421                          |
|                    | \$ 1,796,156                       | \$                               | \$ (76,048)             | \$ 121,243      | \$ (12,306)                             | \$ (13,984)                                |            | \$ 1,815,061                    |

(1)

Includes the impact of non-cash conversions.

As of March 31, 2017 and December 31, 2016, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the fair value of these instruments primarily using a Yield-to-Maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the legal maturity date of the instrument. 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 estimated market interest rates 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 March 31, 2017 and December 31, 2016 (amounts in thousands):

| Type of Instrument | Fair Value as of March 31, 2017 | Valuation Technique  | Significant Unobservable Inputs | Range       | Weighted Average |
|--------------------|---------------------------------|----------------------|---------------------------------|-------------|------------------|
| SBIC debentures    | \$ 49,155                       | Discounted cash flow | Estimated market interest rates | 4.2% - 5.2% | 4.5%             |

| Type of Instrument | Fair Value as of December 31, 2016 | Valuation Technique  | Significant Unobservable Inputs | Range       | Weighted Average |
|--------------------|------------------------------------|----------------------|---------------------------------|-------------|------------------|
| SBIC debentures    | \$ 74,803                          | Discounted cash flow | Estimated market interest rates | 3.4% - 5.3% | 4.2%             |

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the three month periods ended March 31, 2017 and 2016 (amounts in thousands):

| Type of Instrument | Fair Value as of December 31, 2016 | Repayments | Net Realized Loss | New SBIC Debentures | Net Unrealized (Appreciation) Depreciation | Fair Value as of March 31, 2017 |
|--------------------|------------------------------------|------------|-------------------|---------------------|--|---------------------------------|
|--------------------|------------------------------------|------------|-------------------|---------------------|--|---------------------------------|

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|                               |    |        |    |          |    |       |    |         |    |        |
|-------------------------------|----|--------|----|----------|----|-------|----|---------|----|--------|
| SBIC debentures at fair value | \$ | 74,803 | \$ | (25,200) | \$ | 5,217 | \$ | (5,665) | \$ | 49,155 |
|-------------------------------|----|--------|----|----------|----|-------|----|---------|----|--------|

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## MAIN STREET CAPITAL CORPORATION

## Notes to Consolidated Financial Statements (Continued)

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| Type of Instrument            | Fair Value<br>as of<br>December 31,<br>2015 | Repayments | New SBIC<br>Debentures | Net<br>Unrealized<br>(Appreciation)<br>Depreciation | Fair Value<br>as of<br>March 31,<br>2016 |
|-------------------------------|---|------------|------------------------|---|--|
| SBIC debentures at fair value | \$ 73,860                                   | \$         | \$                     | \$ 146  | \$ 74,006                                |

At March 31, 2017 and December 31, 2016, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

|   | Fair Value Measurements<br>(in thousands) |   |  |  |
|---|---|---|--|--|
|   | Fair Value                                | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>At March 31, 2017</b>                            |   |   |  |  |
| LMM portfolio investments                           | \$ 886,559                                | \$  | \$ 2,270   | \$ 884,289   |
| Middle Market portfolio investments                 | 568,796                                   |   |  | 568,796  |
| Private Loan portfolio investments                  | 384,220                                   |   |  | 384,220  |
| Other Portfolio investments                         | 106,331                                   |   |  | 106,331  |
| External Investment Manager                         | 33,472                                    |   |  | 33,472   |
| Total portfolio investments                         | 1,979,378                                 |   | 2,270  | 1,977,108  |
| Marketable securities and idle funds<br>investments |   |   |  |  |
| Total investments                                   | \$ 1,979,378                              | \$  | \$ 2,270   | \$ 1,977,108                                       |
| SBIC debentures at fair value                       | \$ 49,155                                 | \$  | \$   | \$ 49,155  |

|                                     | Fair Value Measurements<br>(in thousands) |  |   |  |
|-------------------------------------|---|--|---|--|
|                                     | Fair Value                                | Quoted Prices<br>in<br>Active Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>At December 31, 2016</b>         |   |  |   |  |
| LMM portfolio investments           | \$ 892,592                                | \$   | \$ 2,080  | \$ 890,512   |
| Middle Market portfolio investments | 630,578                                   |  |   | 630,578  |

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|  |              |    |          |              |
|--|--------------|----|----------|--------------|
| Private Loan portfolio investments               | 342,867      |    |          | 342,867      |
| Other Portfolio investments                      | 100,252      |    |          | 100,252      |
| External Investment Manager                      | 30,617       |    |          | 30,617       |
| Total portfolio investments                      | 1,996,906    |    | 2,080    | 1,994,826    |
| Marketable securities and idle funds investments |              |    |          |              |
| Total investments                                | \$ 1,996,906 | \$ | \$ 2,080 | \$ 1,994,826 |
| SBIC debentures at fair value                    | \$ 74,803    | \$ | \$       | \$ 74,803    |

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**MAIN STREET CAPITAL CORPORATION**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**Investment Portfolio Composition**

Main Street's 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 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 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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments 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. For Other Portfolio investments, Main Street generally receives distributions related to the assets held by the portfolio company. Those assets are typically expected to be liquidated over a five to ten year period.

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 entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, Main Street shares employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, Main Street began allocating cost to the External Investment Manager pursuant to the sharing agreement. Main Street's total expenses for the three months ended March 31, 2017 and 2016 are net of expenses allocated to the External Investment Manager of \$1.5 million and \$1.2 million, respectively.

Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

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 three months ended March 31, 2017 and 2016, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

The following tables provide a summary of Main Street's investments in the LMM, Middle Market and Private Loan portfolios as of March 31, 2017 and December 31, 2016 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of March 31, 2017  |               |              |
|--|-----------------------|---------------|--------------|
|  | LMM(a)                | Middle Market | Private Loan |
|  | (dollars in millions) |               |              |
| Number of portfolio companies                                | 73                    | 69            | 49           |
| Fair value   | \$ 886.6              | \$ 568.8      | \$ 384.2     |
| Cost   | \$ 772.1              | \$ 588.9      | \$ 403.7     |
| % of portfolio at cost debt                                  | 67.6%                 | 96.9%         | 94.0%        |
| % of portfolio at cost equity                                | 32.4%                 | 3.1%          | 6.0%         |
| % of debt investments at cost secured by first priority lien | 96.1%                 | 88.8%         | 90.2%        |
| Weighted-average annual effective yield(b)                   | 12.2%                 | 8.6%          | 9.6%         |
| Average EBITDA(c)  | \$ 4.6                | \$ 95.5       | \$ 24.8      |

- (a) At March 31, 2017, Main Street had equity ownership in approximately 99% of its LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 37%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of March 31, 2017, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of 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, one Middle Market portfolio company and three Private Loan portfolio companies, as EBITDA is not

Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

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, 2016 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 73                      | 78            | 46           |
| Fair value   | \$ 892.6                | \$ 630.6      | \$ 342.9     |
| Cost   | \$ 760.3                | \$ 646.8      | \$ 357.7     |
| % of total investments at cost debt                          | 69.1%                   | 97.2%         | 93.5%        |
| % of total investments at cost equity                        | 30.9%                   | 2.8%          | 6.5%         |
| % of debt investments at cost secured by first priority lien | 92.1%                   | 89.1%         | 89.0%        |
| Weighted-average annual effective yield(b)                   | 12.5%                   | 8.5%          | 9.6%         |
| Average EBITDA(c)  | \$ 5.9                  | \$ 98.6       | \$ 22.7      |

- (a) At December 31, 2016, Main Street had equity ownership in approximately 99% 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, 2016, 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, one Middle Market portfolio company and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies.

As of March 31, 2017, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$106.3 million in fair value and approximately \$111.8 million in cost basis and which comprised approximately 5.4% of Main Street's Investment Portfolio at fair value. As of December 31, 2016, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$100.3 million in fair value and approximately \$107.1 million in cost basis and which comprised approximately 5.0% 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 March 31, 2017, there was no cost basis in this investment and the investment had a fair value of approximately \$33.5 million, which comprised approximately 1.7% of Main Street's Investment Portfolio at fair value. As of December 31, 2016, there was no cost basis in this investment and the investment had a fair value of approximately \$30.6 million, which comprised approximately 1.5% of Main Street's Investment Portfolio at fair value.

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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 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 March 31, 2017 and December 31, 2016 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|------------------|---------------------------|------------------------------|
| First lien debt  | 76.6%                     | 76.1%                        |
| Equity           | 15.6%                     | 14.5%                        |
| Second lien debt | 6.2%                      | 7.7%                         |
| Equity warrants  | 1.0%                      | 1.1%                         |
| Other            | 0.6%                      | 0.6%                         |
|                  | 100.0%                    | 100.0%                       |

| <b>Fair Value:</b> | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--------------------|---------------------------|------------------------------|
| First lien debt    | 69.6%                     | 68.7%                        |
| Equity             | 23.2%                     | 22.6%                        |
| Second lien debt   | 5.8%                      | 7.2%                         |
| Equity warrants    | 0.8%                      | 0.9%                         |
| Other              | 0.6%                      | 0.6%                         |
|                    | 100.0%                    | 100.0%                       |

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 March 31, 2017 and December 31, 2016 (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>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|-------------------------|---------------------------|------------------------------|
| Southwest               | 28.3%                     | 29.7%                        |
| Midwest                 | 23.4%                     | 23.0%                        |
| West                    | 15.9%                     | 16.1%                        |
| Northeast               | 15.2%                     | 14.8%                        |
| Southeast               | 14.1%                     | 13.1%                        |
| Canada                  | 1.4%                      | 1.7%                         |
| Other Non-United States | 1.7%                      | 1.6%                         |
|                         | 100.0%                    | 100.0%                       |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

| <b>Fair Value:</b>      | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|-------------------------|---------------------------|------------------------------|
| Southwest               | 28.6%                     | 31.0%                        |
| Midwest                 | 22.1%                     | 21.2%                        |
| West                    | 18.4%                     | 18.3%                        |
| Northeast               | 14.4%                     | 13.9%                        |
| Southeast               | 13.6%                     | 12.7%                        |
| Canada                  | 1.2%                      | 1.4%                         |
| Other Non-United States | 1.7%                      | 1.5%                         |
|                         | 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

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as of March 31, 2017 and December 31, 2016 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>                                   | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|---------------------------|------------------------------|
| Energy Equipment & Services                    | 7.7%                      | 7.5%                         |
| Hotels, Restaurants & Leisure                  | 6.7%                      | 6.5%                         |
| Construction & Engineering                     | 6.3%                      | 5.3%                         |
| Media  | 6.0%                      | 5.7%                         |
| Machinery                                      | 5.8%                      | 5.6%                         |
| Commercial Services & Supplies                 | 4.9%                      | 5.0%                         |
| Electronic Equipment, Instruments & Components | 4.5%                      | 4.5%                         |
| Specialty Retail                               | 3.9%                      | 4.4%                         |
| Diversified Consumer Services                  | 3.5%                      | 2.8%                         |
| Diversified Telecommunication Services         | 3.3%                      | 3.3%                         |
| IT Services                                    | 3.1%                      | 3.9%                         |
| Leisure Equipment & Products                   | 3.1%                      | 0.9%                         |
| Internet Software & Services                   | 3.0%                      | 3.6%                         |
| Auto Components                                | 2.8%                      | 3.0%                         |
| Health Care Providers & Services               | 2.8%                      | 3.0%                         |
| Diversified Financial Services                 | 2.4%                      | 2.3%                         |
| Health Care Equipment & Supplies               | 2.3%                      | 2.3%                         |
| Software                                       | 2.2%                      | 2.6%                         |
| Computers & Peripherals                        | 2.2%                      | 2.2%                         |
| Food Products                                  | 2.1%                      | 2.6%                         |
| Building Products                              | 2.1%                      | 2.1%                         |
| Communications Equipment                       | 1.7%                      | 2.3%                         |
| Oil, Gas & Consumable Fuels                    | 1.6%                      | 1.2%                         |
| Aerospace & Defense                            | 1.6%                      | 0.9%                         |
| Professional Services                          | 1.3%                      | 1.4%                         |
| Consumer Finance                               | 1.0%                      | 1.5%                         |
| Air Freight & Logistics                        | 1.0%                      | 1.0%                         |
| Real Estate Management & Development           | 1.0%                      | 0.7%                         |
| Distributors                                   | 0.9%                      | 1.1%                         |
| Road & Rail                                    | 0.0%                      | 1.5%                         |
| Other(1)                                       | 9.2%                      | 9.3%                         |
|  | 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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| <b>Fair Value:</b>                             | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|---------------------------|------------------------------|
| Machinery                                      | 7.0%                      | 6.7%                         |
| Hotels, Restaurants & Leisure                  | 6.8%                      | 6.5%                         |
| Construction & Engineering                     | 6.5%                      | 5.6%                         |
| Diversified Consumer Services                  | 6.4%                      | 5.5%                         |
| Energy Equipment & Services                    | 6.1%                      | 5.8%                         |
| Media  | 5.6%                      | 5.2%                         |
| Commercial Services & Supplies                 | 4.8%                      | 5.0%                         |
| Specialty Retail                               | 4.1%                      | 4.6%                         |
| Electronic Equipment, Instruments & Components | 4.0%                      | 3.9%                         |
| IT Services                                    | 3.1%                      | 3.7%                         |
| Leisure Equipment & Products                   | 3.0%                      | 0.9%                         |
| Internet Software & Services                   | 2.9%                      | 3.5%                         |
| Auto Components                                | 2.7%                      | 2.9%                         |
| Health Care Providers & Services               | 2.6%                      | 2.9%                         |
| Diversified Telecommunication Services         | 2.6%                      | 2.5%                         |
| Diversified Financial Services                 | 2.5%                      | 2.3%                         |
| Computers & Peripherals                        | 2.5%                      | 2.3%                         |
| Health Care Equipment & Supplies               | 2.4%                      | 2.4%                         |
| Software                                       | 2.3%                      | 2.6%                         |
| Food Products                                  | 2.0%                      | 2.4%                         |
| Building Products                              | 2.0%                      | 1.9%                         |
| Communications Equipment                       | 1.7%                      | 2.3%                         |
| Aerospace & Defense                            | 1.5%                      | 0.8%                         |
| Oil, Gas & Consumable Fuels                    | 1.4%                      | 1.1%                         |
| Professional Services                          | 1.3%                      | 1.3%                         |
| Air Freight & Logistics                        | 1.2%                      | 1.1%                         |
| Real Estate Management & Development           | 1.2%                      | 0.7%                         |
| Construction Materials                         | 1.0%                      | 1.0%                         |
| Consumer Finance                               | 0.9%                      | 1.3%                         |
| Distributors                                   | 0.9%                      | 1.1%                         |
| Road & Rail                                    | 0.0%                      | 2.5%                         |
| Other(1)                                       | 7.0%                      | 7.7%                         |
|  | 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 March 31, 2017 and December 31, 2016, 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)****(Unaudited)****Unconsolidated Significant Subsidiaries**

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, if any, are considered "significant subsidiaries." In evaluating these unconsolidated controlled portfolio companies, there are three tests utilized to determine if any of Main Street's Control Investments (as defined in Note A, including those unconsolidated controlled portfolio companies in which Main Street does not own greater than 50% of the voting securities) are considered significant subsidiaries: 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 (Control Investments 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 a Control Investment in an annual report if any of the three tests exceeds 10% of Main Street's annual total amounts and Rule 10-01(b)(1) of Regulation S-X requires summarized financial information in a quarterly report if any of the three tests exceeds 20% of Main Street's year-to-date total amounts.

As of March 31, 2017 and December 31, 2016, Main Street had no single investment that represented greater than 20% of its total Investment Portfolio at fair value and no single investment whose total assets represented greater than 20% of its total assets. After performing the income test for the three months ended March 31, 2017, Main Street determined that the income from no single investment generated more than 20% of Main Street's total income. After performing the income test for the three months ended March 31, 2016, excluding investments which were fully exited after March 31, 2016, Main Street determined that its income from two of its Control Investments individually generated more than 20% of Main Street's total income, primarily due to the unrealized appreciation that was recognized on the investments during the three months ended March 31, 2016. As such, GRT Rubber Technologies, LLC was considered a significant subsidiary at the 20% level as of March 31, 2016. 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 20% level as of March 31, 2016.

The following table shows the summarized financial information for CBT Nuggets, LLC:

|                           | As of<br>March 31,<br>2017 | As of<br>December 31,<br>2016 |
|---------------------------|----------------------------|-------------------------------|
|                           | (dollars in thousands)     |                               |
| <b>Balance Sheet Data</b> |                            |                               |
| Current Assets            | \$ 10,789                  | \$ 7,275                      |
| Noncurrent Assets         | 12,266                     | 13,610                        |
| Current Liabilities       | 18,201                     | 17,883                        |
| Noncurrent Liabilities    |                            |                               |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

|                              | <b>Three Months Ended<br/>March 31,</b> |             |
|------------------------------|---|-------------|
|                              | <b>2017</b>                             | <b>2016</b> |
|                              | <b>(dollars in thousands)</b>           |             |
| <b>Summary of Operations</b> |   |             |
| Total Revenue                | \$ 10,356                               | \$ 9,080    |
| Gross Profit                 | 9,218                                   | 7,882       |
| Income from Operations       | 3,524                                   | 3,135       |
| Net Income                   | 3,853                                   | 3,264       |

The following table shows the summarized financial information for GRT Rubber Technologies LLC:

|                           | <b>As of<br/>March 31,<br/>2017</b> | <b>As of<br/>December 31,<br/>2016</b> |
|---------------------------|-------------------------------------|--|
|                           | <b>(dollars in thousands)</b>       |  |
| <b>Balance Sheet Data</b> |                                     |  |
| Current Assets            | \$ 9,308                            | \$ 8,326                               |
| Noncurrent Assets         | 31,209                              | 32,106                                 |
| Current Liabilities       | 4,408                               | 2,941                                  |
| Noncurrent Liabilities    | 18,250                              | 18,562                                 |

|                              | <b>Three Months Ended<br/>March 31,</b> |             |
|------------------------------|---|-------------|
|                              | <b>2017</b>                             | <b>2016</b> |
|                              | <b>(dollars in thousands)</b>           |             |
| <b>Summary of Operations</b> |   |             |
| Total Revenue                | \$ 6,931                                | \$ 7,000    |
| Gross Profit                 | 1,553                                   | 1,694       |
| Income from Operations       | 402                                     | 613         |
| Net Income                   | (211)                                   | (61)        |

**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-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow 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.

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**MAIN STREET CAPITAL CORPORATION**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

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. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the three months ended March 31, 2017 and 2016, the External Investment Manager earned \$2.6 million and \$2.3 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 shares employees with the External Investment Manager and allocates costs related to such shared employees 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 three months ended March 31, 2017 and 2016, Main Street allocated \$1.5 million and \$1.2 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 allocated to the External Investment Manager and dividend income from the External Investment Manager. For the three months ended March 31, 2017 and 2016, the total contribution to Main Street's net investment income was \$2.2 million and \$1.9 million, respectively.

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Summarized financial information from the separate financial statements of the External Investment Manager as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016 is as follows:

|   | As of<br>March 31,<br>2017 | As of<br>December 31,<br>2016 |
|---|----------------------------|-------------------------------|
|   | (dollars in thousands)     |                               |
| Cash  | \$                         | \$                            |
| Accounts receivable - HMS Income              | 2,588                      | 2,496                         |
| <b>Total assets</b>                           | <b>\$ 2,588</b>            | <b>\$ 2,496</b>               |
| Accounts payable to MSCC and its subsidiaries | \$ 1,350                   | \$ 1,635                      |
| Dividend payable to MSCC                      | 694                        | 719                           |
| Taxes payable                                 | 544                        | 142                           |
| Equity  |                            |                               |
| <b>Total liabilities and equity</b>           | <b>\$ 2,588</b>            | <b>\$ 2,496</b>               |

|  | Three Months<br>Ended<br>March 31, |                |
|--|------------------------------------|----------------|
|  | 2017                               | 2016           |
| Management fee income  | \$ 2,620                           | \$ 2,251       |
| Expenses allocated from MSCC or its subsidiaries:            |                                    |                |
| Salaries, share-based compensation and other personnel costs | (919)                              | (728)          |
| Other G&A expenses   | (605)                              | (426)          |
| <b>Total allocated expenses</b>                              | <b>(1,524)</b>                     | <b>(1,154)</b> |
| Pre-tax income   | 1,096                              | 1,097          |
| Tax expense  | (402)                              | (399)          |
| <b>Net income</b>  | <b>\$ 694</b>                      | <b>\$ 698</b>  |

**NOTE E SBIC DEBENTURES**

Due to each of the Funds' status as a licensed SBIC, Main Street has the ability to issue, through the Funds, debentures guaranteed by the SBA up to a maximum amount of \$350.0 million through its three existing SBIC licenses. SBIC debentures payable were \$240.2 million and \$240.0 million at March 31, 2017 and December 31, 2016, respectively. SBIC debentures provide for interest to be paid semiannually, with

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principal due at the applicable 10-year maturity date of each debenture. During the three months ended March 31, 2017, Main Street issued \$25.4 million of SBIC debentures and opportunistically prepaid \$25.2 million of existing SBIC debentures as part of an effort to manage the maturity dates of the oldest SBIC debentures, leaving \$109.8 million of additional capacity under Main Street's SBIC licenses as of March 31, 2017. As a result of this prepayment, Main Street recognized a realized loss of \$5.2 million due to the previously recognized gain recorded as a result of recording the MSC II debentures at fair value on the date of the acquisition of MSC II. The effect of the realized loss is offset by the reversal of all previously recognized unrealized depreciation due to fair value adjustments since the date of the acquisition. Main Street expects to issue new SBIC debentures under

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the SBIC program in the future in an amount up to the regulatory maximum amount of \$350.0 million for affiliated SBIC funds. The weighted-average annual interest rate on the SBIC debentures was 3.8% and 4.1% as of March 31, 2017 and December 31, 2016, respectively. The first principal maturity due under the existing SBIC debentures is in 2019 and the weighted-average remaining duration as of March 31, 2017 was approximately 5.7 years. For each of the three months ended March 31, 2017 and 2016, Main Street recognized interest expense attributable to the SBIC debentures of \$2.5 million. 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.

As of March 31, 2017, the recorded value of the SBIC debentures was \$239.4 million which consisted of (i) \$49.2 million recorded at fair value, or \$0.8 million less than the \$50.0 million par value of the SBIC debentures issued in MSC II, (ii) \$149.8 million recorded at par value and held in MSMF and (iii) \$40.4 million recorded at par value and held in MSC III. As of March 31, 2017, 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 \$228.4 million, or \$11.8 million less than the \$240.2 million face value of the SBIC debentures.

**NOTE F CREDIT FACILITY**

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility includes total commitments of \$555.0 million from a diversified group of fourteen lenders and matures in September 2021. The Credit Facility also contains an accordion feature which allows Main Street to increase the total commitments under the facility to up to \$750.0 million 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 (0.98% as of March 31, 2017) plus (i) 1.875% (or the applicable base rate (Prime Rate of 4.00% as of March 31, 2017) 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 2021, 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.

At March 31, 2017, Main Street had \$288.0 million in borrowings outstanding under the Credit Facility. As of March 31, 2017, 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



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recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of \$2.5 million and \$2.1 million, respectively, for the three months ended March 31, 2017 and 2016. As of March 31, 2017, the interest rate on the Credit Facility was 2.7%. The average interest rate for the three months ended March 31, 2017 was 2.7%. As of March 31, 2017, Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE G 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 March 31, 2017, the outstanding balance of the 6.125% Notes was \$90.7 million. As of March 31, 2017, 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 \$94.3 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$1.5 million for each of the three months ended March 31, 2017 and 2016.

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. As of March 31, 2017, Main Street was in compliance with these covenants.

**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

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**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

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 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 semiannually 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 March 31, 2017, the outstanding balance of the 4.50% Notes was \$175.0 million. As of March 31, 2017, 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 \$176.1 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$2.1 million for each of the three months ended March 31, 2017 and 2016.

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. As of March 31, 2017, Main Street was in compliance with these covenants.

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## MAIN STREET CAPITAL CORPORATION

## Notes to Consolidated Financial Statements (Continued)

(Unaudited)

## NOTE H FINANCIAL HIGHLIGHTS

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2017                            | 2016       |
| <b>Per Share Data:</b>   |                                 |            |
| NAV at the beginning of the period                                       | \$ 22.10                        | \$ 21.24   |
| Net investment income(1)   | 0.57                            | 0.54       |
| Net realized gain (loss)(1)(2)   | 0.41                            | 0.27       |
| Net change in net unrealized depreciation(1)(2)                          | (0.30)                          | (0.52)     |
| Income tax benefit (provision)(1)(2)                                     | (0.11)                          | 0.04       |
| Net increase in net assets resulting from operations(1)                  | 0.57                            | 0.33       |
| Dividends paid from net investment income                                | (0.21)                          | (0.54)     |
| Distributions from capital gains   | (0.35)                          |            |
| Total dividends paid   | (0.56)                          | (0.54)     |
| Accretive effect of stock offerings (issuing shares above NAV per share) | 0.26                            | 0.06       |
| Accretive effect of DRIP issuance (issuing shares above NAV per share)   | 0.01                            | 0.02       |
| Other(3)   | 0.06                            | 0.07       |
| NAV at the end of the period   | \$ 22.44                        | \$ 21.18   |
| Market value at the end of the period                                    | \$ 38.27                        | \$ 31.35   |
| Shares outstanding at the end of the period                              | 55,423,375                      | 50,846,000 |

(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) 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

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certain per share data based on the shares outstanding as of a period end or transaction date.

|   | <b>Three Months Ended<br/>March 31,</b> |              |
|---|---|--------------|
|   | <b>2017</b>                             | <b>2016</b>  |
|   | <b>(dollars in thousands)</b>           |              |
| NAV at end of period  | \$ 1,243,934                            | \$ 1,076,998 |
| Average NAV   | \$ 1,222,708                            | \$ 1,073,946 |
| Average outstanding debt  | \$ 825,155                              | \$ 772,183   |
| Ratio of total expenses, including income tax expense, to average NAV(1)(2)   | 1.83%                                   | 1.17%        |
| Ratio of operating expenses to average NAV(2)(3)                              | 1.37%                                   | 1.38%        |
| Ratio of operating expenses, excluding interest expense, to average NAV(2)(3) | 0.66%                                   | 0.62%        |
| Ratio of net investment income to average NAV(2)                              | 2.55%                                   | 2.53%        |
| Portfolio turnover ratio(2)   | 8.97%                                   | 5.03%        |
| Total investment return(2)(4)   | 5.64%                                   | 9.85%        |
| Total return based on change in NAV(2)(5)                                     | 2.62%                                   | 1.57%        |

- (1) 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 the 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.
- (2) Not annualized.
- (3) Unless otherwise noted, operating expenses include interest, compensation, general and administrative and share-based compensation expenses, net of expenses allocated 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 I DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

Main Street paid regular monthly dividends of \$0.185 per share for each month of January through March 2017, totaling \$30.4 million, or \$0.555 per share, for the three months ended March 31, 2017. The first quarter 2017 regular monthly dividends represent a 2.8% increase from the regular monthly

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**MAIN STREET CAPITAL CORPORATION**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

dividends paid per share for the first quarter of 2016. For the three months ended March 31, 2016, Main Street paid total regular monthly dividends of \$27.2 million, or \$0.540 per share.

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

The determination of the tax attributes for Main Street's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. Ordinary dividend distributions from a RIC do not qualify for the 20% maximum tax rate (plus a 3.8% Medicare surtax, if applicable) on 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 distributions will generally include both ordinary income and capital gains, but may also include qualified dividends or return of capital.

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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 three months ended March 31, 2017 and 2016.

|   | <b>Three Months Ended<br/>March 31,</b>      |             |
|---|--|-------------|
|   | <b>2017</b>                                  | <b>2016</b> |
|   | <b>(estimated, dollars in<br/>thousands)</b> |             |
| Net increase in net assets resulting from operations  | \$ 31,450                                    | \$ 16,812   |
| Book tax difference from share-based compensation expense   | 1,265  | 1,589       |
| Net change in net unrealized depreciation   | 16,426                                       | 26,218      |
| Income tax provision (benefit)  | 5,638  | (2,263)     |
| Pre-tax book (income) loss not consolidated for tax purposes  | (6,468)                                      | (12,365)    |
| Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains (losses) and changes in estimates | 4,373  | (561)       |
| Estimated taxable income(1)   | 52,684                                       | 29,430      |
| Taxable income earned in prior year and carried forward for distribution in current year  | 42,362                                       | 29,683      |
| Taxable income earned prior to period end and carried forward for distribution next period  | (74,695)                                     | (40,942)    |
| Dividend payable as of period end and paid in the following period  | 10,252                                       | 9,113       |
| Total distributions accrued or paid to common stockholders  | \$ 30,603                                    | \$ 27,284   |

(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 primarily 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.

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries, if any, are reflected in Main Street's consolidated statement of operations. For the

Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

three months ended March 31, 2017, Main Street recognized a net income tax provision of \$5.6 million, principally consisting of a deferred tax provision of \$4.4 million which is primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in the loss carryforwards, changes in net unrealized appreciation or depreciation and other temporary book-tax differences, as well as a \$1.3 million current tax expense which is primarily related to a \$0.9 million accrual for excise tax on Main Street's estimated undistributed taxable income, and \$0.4 million provision for current U.S. federal income and state taxes. The income tax expense, or benefit, and the related tax assets and liabilities, generated by the Taxable Subsidiaries, if any, are reflected in Main Street's consolidated financial statements. For the three months ended March 31, 2016, Main Street recognized a net income tax benefit of \$2.3 million, principally consisting of a deferred tax benefit of \$2.6 million which is primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in net operating loss carryforwards, changes in net unrealized appreciation or depreciation and other temporary book-tax differences, partially offset by a \$0.4 million provision for other current taxes which is primarily related to a \$0.3 million provision for current U.S. federal income and state taxes, and a \$0.1 million accrual for excise tax on Main Street's estimated spillover taxable income.

The net deferred tax asset at March 31, 2017 and December 31, 2016 was \$4.7 million and \$9.1 million, respectively, primarily related to loss carryforwards, timing differences in net unrealized appreciation or depreciation and other temporary book-tax differences relating to portfolio investments held by the Taxable Subsidiaries. In addition, during the three months ended March 31, 2016, Main Street recorded a one-time \$1.8 million increase to deferred tax assets for previously unrecognized excess tax benefits associated with share-based compensation due to the early adoption of the new accounting standard ASU 2016-09 (See further discussion in Note B.7.). During the quarter ended March 31, 2017, the Taxable Subsidiaries utilized capital loss carryforwards totaling approximately \$8.0 million. As of March 31, 2017, for U.S. federal income tax purposes, the Taxable Subsidiaries had a capital loss carryforward of \$6.6 million which, if unused, will expire in taxable year 2021. At March 31, 2017, for U.S. federal income tax purposes, the Taxable Subsidiaries had a net operating loss carryforward which, if unused, will expire in various taxable years from 2029 through 2037. The timing and manner in which Main Street will utilize any loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

**NOTE J COMMON STOCK**

During November 2015, Main Street commenced a program with certain selling agents through which it can sell shares of its common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the three months ended March 31, 2017, Main Street sold 1,035,286 shares of its common stock at a weighted-average price of \$36.86 per share and raised \$38.2 million of gross proceeds under the ATM Program. Net proceeds were \$37.7 million after commissions to the selling agents on shares sold and offering costs. As of March 31, 2017, 499,500 shares were available for sale under the ATM Program.

During the year ended December 31, 2016, Main Street sold 3,324,646 shares of our common stock at a weighted-average price of \$34.17 per share and raised \$113.6 million of gross proceeds under the ATM Program. Net proceeds were \$112.0 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2016, sales transactions representing 42,413 shares had not settled and were not included in shares issued and outstanding on the face of the consolidated balance sheet, but were included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate net asset value per share.

Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)****NOTE K DIVIDEND REINVESTMENT PLAN ("DRIP")**

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. 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 three months ended March 31, 2017, \$1.8 million of the total \$30.4 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 48,675 newly issued shares. For the three months ended March 31, 2016, \$3.3 million of the total \$27.2 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 113,631 newly issued shares. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**NOTE L SHARE-BASED COMPENSATION**

Main Street accounts for its share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation Stock Compensation*. Accordingly, for restricted stock awards, Main Street measured the grant date fair value based upon the market price of its common stock on the date of the grant and 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 (the "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 Equity and Incentive Plan, net of shares forfeited, if any, and the remaining shares of restricted stock available for issuance as of March 31, 2017.

|   |           |
|---|-----------|
| Restricted stock authorized under the plan                      | 3,000,000 |
| Less restricted stock granted, net of forfeited shares, during: |           |
| Year ended December 31, 2015                                    | (900)     |
| Year ended December 31, 2016                                    | (260,514) |
| Three months ended March 31, 2017                               | 2,771     |
| Restricted stock available for issuance as of March 31, 2017    | 2,741,357 |



Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

As of March 31, 2017, the following table summarizes the restricted stock issued to Main Street's non-employee directors and the remaining shares of restricted stock available for issuance pursuant to the Main 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) |
| Year ended December 31, 2016                                 | (6,748) |
| Restricted stock available for issuance as of March 31, 2017 | 286,446 |

For the three months ended March 31, 2017 and 2016, Main Street recognized total share-based compensation expense of \$2.3 million and \$1.6 million, respectively, related to the restricted stock issued to Main Street employees and non-employee directors.

As of March 31, 2017, there was \$9.7 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 1.5 years as of March 31, 2017.

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## MAIN STREET CAPITAL CORPORATION

## Notes to Consolidated Financial Statements (Continued)

(Unaudited)

## NOTE M COMMITMENTS AND CONTINGENCIES

At March 31, 2017, Main Street had the following outstanding commitments (in thousands):

| Investments with equity capital commitments that have not yet funded: | Amount    |
|---|-----------|
| <i>Congruent Credit Opportunities Funds</i>                           |           |
| Congruent Credit Opportunities Fund II, LP                            | \$ 8,488  |
| Congruent Credit Opportunities Fund III, LP                           | 12,131    |
|   | \$ 20,619 |
| <i>Encap Energy Fund Investments</i>                                  |           |
| EnCap Energy Capital Fund VIII, L.P.                                  | \$ 510    |
| EnCap Energy Capital Fund VIII Co-Investors, L.P.                     | 27        |
| EnCap Energy Capital Fund IX, L.P.                                    | 1,093     |
| EnCap Energy Capital Fund X, L.P.                                     | 6,789     |
| EnCap Flatrock Midstream Fund II, L.P.                                | 5,502     |
| EnCap Flatrock Midstream Fund III, L.P.                               | 4,785     |
|   | \$ 18,706 |
| <i>Freeport Fund Investments</i>                                      |           |
| Freeport First Lien Loan Fund III LP                                  | \$ 6,539  |
| Freeport Financial SBIC Fund LP                                       | 1,375     |
|   | \$ 7,914  |
| <i>Brightwood Capital Fund Investments</i>                            |           |
| Brightwood Capital Fund III, LP                                       | \$ 3,000  |
| Brightwood Capital Fund IV, LP  | 4,500     |
|   | \$ 7,500  |
| I-45 SLF LLC  | \$ 1,800  |
| EIG Fund Investments  | \$ 3,595  |
| LKCM Headwater Investments I, L.P.                                    | \$ 2,500  |
| <i>Dos Rios Partners</i>  |           |
| Dos Rios Partners, LP   | \$ 1,594  |
| Dos Rios Partners A, LP   | 506       |
|   | \$ 2,100  |
| Total equity commitments  | \$ 64,734 |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)****Investments with commitments to fund revolving loans that have not been fully drawn or term loans with additional commitments not yet funded:**

|                                   |    |         |
|-----------------------------------|----|---------|
| NNE Partners, LLC                 | \$ | 10,208  |
| PT Network, LLC                   |    | 8,775   |
| Arcus Hunting LLC                 |    | 4,336   |
| CDHA Management, LLC              |    | 3,523   |
| Charps, LLC                       |    | 3,200   |
| Strike, LLC                       |    | 2,500   |
| Mid-Columbia Lumber Products, LLC |    | 2,000   |
| Hojeij Branded Foods, LLC         |    | 1,643   |
| CapFusion, LLC                    |    | 1,600   |
| Hawk Ridge Systems, LLC           |    | 1,600   |
| Subsea Global Solutions, LLC      |    | 1,428   |
| Messenger, LLC                    |    | 1,417   |
| LaMi Products, LLC                |    | 1,397   |
| Gamber-Johnson Holdings, LLC      |    | 1,200   |
| NuStep, LLC                       |    | 1,200   |
| Barfly Ventures, LLC              |    | 919     |
| Apex Linen Service, Inc.          |    | 800     |
| Mystic Logistics Holdings, LLC    |    | 800     |
| Grace Hill, LLC                   |    | 776     |
| Lamb Ventures, LLC                |    | 695     |
| Pardus Oil and Gas, LLC           |    | 663     |
| NRI Clinical Research, LLC        |    | 600     |
| Jackmont Hospitality, Inc.        |    | 593     |
| PPC/SHIFT LLC                     |    | 500     |
| Jensen Jewelers of Idaho, LLC     |    | 500     |
| UniTek Global Services, Inc.      |    | 483     |
| Permian Holdco 2, Inc.            |    | 116     |
| <br>                              |    |         |
| Total loan commitments            | \$ | 53,472  |
| <br>                              |    |         |
| Total commitments                 | \$ | 118,206 |

Main Street will fund its unfunded commitments from the same sources it uses to fund its investment commitments that are funded at the time they are made (which are typically through existing cash and cash equivalents and borrowings under the Credit Facility). Main Street follows a process to manage its liquidity and ensure that it has available capital to fund its unfunded commitments as necessary. The Company had total unrealized depreciation of \$0.1 million on the outstanding unfunded commitments as of March 31, 2017.

Main Street has an operating lease for its office space in Houston, Texas. Total rent expense incurred by Main Street for each of the three months ended March 31, 2017 and 2016 was \$0.1 million.

Table of Contents**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)**

The following table shows future minimum payments under Main Street's operating lease as of March 31, 2017:

| <b>For the Years Ended December 31,</b> | <b>Amount</b>   |
|---|-----------------|
| 2017                                    | \$ 46           |
| 2018                                    | 683             |
| 2019                                    | 749             |
| 2020                                    | 763             |
| 2021                                    | 777             |
| Thereafter                              | 4,959           |
| <b>Total</b>                            | <b>\$ 7,977</b> |

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 N 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 March 31, 2017, Main Street had a receivable of approximately \$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 required to support the External Investment Manager's business and approximately \$0.7 million of dividends declared but not paid by the External Investment Manager.

In November 2015, Main Street's 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 Deferred Compensation Plan for Non-Employee Directors previously adopted by the Board of Directors in June 2013 (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 and directors' fees, 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. As of March 31, 2017, \$2.8 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,938 shares of Main Street's common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of March 31, 2017 represented 65,882 shares of Main Street's common stock. Any amounts deferred under the plan represented by phantom Main Street stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually

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**MAIN STREET CAPITAL CORPORATION**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

distributed to the participant in accordance with the plan, but are included in operating expenses and weighted-average shares outstanding in Main Street's consolidated statement of operations as earned.

**NOTE O SUBSEQUENT EVENTS**

During April 2017, Main Street declared a semi-annual supplemental cash dividend of \$0.275 per share payable in June 2017. This supplemental cash dividend is in addition to the previously announced regular monthly cash dividends that Main Street declared for the second quarter of 2017 of \$0.185 per share for each of April, May and June 2017.

In May 2017, Main Street declared regular monthly dividends of \$0.185 per share for each month of July, August and September of 2017. These regular monthly dividends equal a total of \$0.555 per share for the third quarter of 2017 and represent a 2.8% increase from the regular monthly dividends declared for the third quarter of 2016. Including the semi-annual supplemental dividend declared for June 2017 and the regular monthly dividends declared for the second and third quarters of 2017, Main Street will have paid \$20.545 per share in cumulative dividends since its October 2007 initial public offering.

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## MAIN STREET CAPITAL CORPORATION

**Consolidated Schedule of Investments in and Advances to Affiliates**  
**Three Months Ended March 31, 2017**  
(dollars in thousands)  
(unaudited)

| Company                                  | Investment(1)                   | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2016 Fair Value | Gross Additions(3) | Gross Reductions(4) | March 31, 2017 Fair Value |
|--|---------------------------------|---|------------------------------|--------------------|---------------------|---------------------------|
| <b>Majority-owned investments</b>        |                                 |   |                              |                    |                     |                           |
| <b>Café Brazil, LLC</b>                  | Member Units                    | \$ 52   | \$ 6,040                     | \$                 | \$ 140              | \$ 5,900                  |
| <b>Clad-Rex Steel, LLC</b>               | LIBOR Plus 9.50% (Floor 1.00%)  | 11  | 396                          | 1                  |                     | 397                       |
|  | LIBOR Plus 9.50% (Floor 1.00%)  | 375   | 13,941                       | 5                  |                     | 13,946                    |
|  | Member Units                    |   | 7,280                        |                    |                     | 7,280                     |
|  | 10% Secured Debt                | 30  | 1,190                        |                    | 4                   | 1,186                     |
|  | Member Units                    |   | 210                          |                    |                     | 210                       |
| <b>CMS Minerals Investments</b>          | Preferred Member Units          | 51  | 3,682                        |                    | 411                 | 3,271                     |
|  | Member Units                    | 63  | 3,381                        |                    | 261                 | 3,120                     |
| <b>Gamber-Johnson Holdings, LLC</b>      | LIBOR Plus 11.00% (Floor 1.00%) | 735   | 23,846                       | 234                |                     | 24,080                    |
|  | Member Units                    | 170   | 18,920                       | 3,160              |                     | 22,080                    |
| <b>GRT Rubber Technologies LLC</b>       | LIBOR Plus 9.00% (Floor 1.00%)  | 334   | 13,274                       | 8                  | 217                 | 13,065                    |
|  | Member Units                    | 127   | 20,310                       |                    |                     | 20,310                    |
| <b>Harborside Holdings, LLC</b>          | Member Units                    |   |                              | 9,400              |                     | 9,400                     |
| <b>Hydratec, Inc.</b>                    | Common Stock                    | 480   | 15,640                       |                    |                     | 15,640                    |
| <b>IDX Broker, LLC</b>                   | 12.5% Secured Debt              | 344   | 10,950                       | 7                  | 307                 | 10,650                    |
|  | Member Units                    | 68  | 7,040                        | 1,160              |                     | 8,200                     |
| <b>Jensen Jewelers of Idaho, LLC</b>     | Prime Plus 6.75% (Floor 2.00%)  | 108   | 4,055                        | 4                  | 154                 | 3,905                     |
|  | Member Units                    | 37  | 4,460                        |                    |                     | 4,460                     |
| <b>Lamb Ventures, LLC</b>                | LIBOR Plus 5.75%                | 7   |                              | 350                | 45                  | 305                       |
|  | 11% Secured Debt                | 209   | 7,657                        |                    | 78                  | 7,579                     |
|  | Preferred Equity                |   | 400                          |                    |                     | 400                       |
|  | Member Units                    | 40  | 5,990                        | 200                |                     | 6,190                     |
|  | 9.5% Secured Debt               | 32  | 1,170                        | 428                | 1,170               | 428                       |
|  | Member Units                    | 407   | 1,340                        |                    | 380                 | 960                       |
| <b>Lighting Unlimited, LLC</b>           | 8% Secured Debt                 | 29  | 1,514                        |                    | 1,514               |                           |
|  | Preferred Equity                |   | 410                          | 24                 | 434                 |                           |
|  | Warrants                        |   |                              | 54                 | 54                  |                           |
|  | Member Units                    |   |                              | 100                | 100                 |                           |
| <b>Mid-Columbia Lumber Products, LLC</b> | 10% Secured Debt                | 44  | 1,750                        |                    |                     | 1,750                     |
|  | 12% Secured Debt                | 117   | 3,900                        |                    |                     | 3,900                     |
|  | Member Units                    | 2   | 2,480                        |                    | 500                 | 1,980                     |

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|                                       |                                   |     |        |       |    |        |
|---------------------------------------|-----------------------------------|-----|--------|-------|----|--------|
|                                       | 9.5% Secured Debt                 | 20  | 836    |       | 11 | 825    |
|                                       | Member Units                      | 9   | 600    | 620   |    | 1,220  |
| <b>MSC Adviser I, LLC</b>             | Member Units                      | 695 | 30,617 | 2,855 |    | 33,472 |
| <b>Mystic Logistics Holdings, LLC</b> | 12% Secured Debt                  | 286 | 9,176  | 11    | 23 | 9,164  |
|                                       | Common Stock                      |     | 5,780  | 390   |    | 6,170  |
| <b>NRP Jones, LLC</b>                 | 8% Current / 4% PIK Secured Debt  | 419 | 13,915 | 139   |    | 14,054 |
|                                       | Warrants                          |     | 130    |       |    | 130    |
|                                       | Member Units                      |     | 410    |       |    | 410    |
| <b>PPL RVs, Inc.</b>                  | LIBOR Plus 7.00% (Floor 0.50%)    | 370 | 17,826 | 8     |    | 17,834 |
|                                       | Common Stock                      | 100 | 11,780 |       |    | 11,780 |
| <b>Principle Environmental, LLC</b>   | 12% Secured Debt                  | 122 | 4,060  |       |    | 4,060  |
|                                       | 12% Current / 2% PIK Secured Debt | 118 | 3,378  | 16    |    | 3,394  |
|                                       | Preferred Member Units            |     | 5,370  | 953   | 63 | 6,260  |
|                                       | Warrants                          |     | 270    | 50    |    | 320    |
| <b>Quality Lease Service, LLC</b>     | 8% PIK Secured Debt               | 136 | 7,068  | 136   |    | 7,204  |
|                                       | Member Units                      |     | 3,188  | 1,051 |    | 4,239  |

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| Company                                  | Investment(1)                          | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2016 Fair Value | Gross Additions(3) | Gross Reductions(4) | March 31, 2017 Fair Value |
|--|--|---|------------------------------|--------------------|---------------------|---------------------------|
| <b>The MPI Group, LLC</b>                | 9% Secured Debt                        | 66  | 2,922                        |                    |                     | 2,922                     |
|  | Series A Preferred Units               |   |                              |                    |                     |                           |
|  | Warrants                               |   |                              |                    |                     |                           |
|  | Member Units                           | 35  | 2,300                        | 90                 |                     | 2,390                     |
| <b>Uvalco Supply, LLC</b>                | 9% Secured Debt                        | 18  | 872                          |                    | 116                 | 756                       |
|  | Member Units                           | 8   | 4,640                        |                    | 333                 | 4,307                     |
| <b>Vision Interests, Inc.</b>            | 13% Secured Debt                       | 91  | 2,814                        |                    |                     | 2,814                     |
|  | Series A Preferred Stock               |   | 3,000                        |                    |                     | 3,000                     |
|  | Common Stock                           |   |                              |                    |                     |                           |
| <b>Ziegler's NYPD, LLC</b>               | 6.5% Secured Debt                      | 17  | 994                          |                    |                     | 994                       |
|  | 12% Secured Debt                       | 9   | 300                          |                    |                     | 300                       |
|  | 14% Secured Debt                       | 96  | 2,750                        |                    |                     | 2,750                     |
|  | Warrants                               |   | 240                          |                    |                     | 240                       |
|  | Preferred Member Units                 |   | 4,100                        |                    |                     | 4,100                     |
| <b>Other controlled investments</b>      |  |   |                              |                    |                     |                           |
| <b>Access Media Holdings, LLC</b>        | 5% Current / 5% PIK Secured Debt       | 563   | 19,700                       | 282                | 512                 | 19,470                    |
|  | Preferred Member Units                 |   | 240                          | 169                | 189                 | 220                       |
|  | Member Units                           |   |                              |                    |                     |                           |
| <b>Ameritech College Operations, LLC</b> | 10% Secured Debt                       | 13  | 514                          |                    |                     | 514                       |
|  | 13% Secured Debt                       | 16  | 489                          |                    |                     | 489                       |
|  | 13% Secured Debt                       | 98  | 3,025                        |                    |                     | 3,025                     |
|  | Preferred Member Units                 |   | 2,291                        | 3,900              | 3,381               | 2,810                     |
| <b>ASC Interests, LLC</b>                | 11% Secured Debt                       | 60  | 2,100                        | 3                  | 53                  | 2,050                     |
|  | Member Units                           |   | 2,680                        | 60                 |                     | 2,740                     |
| <b>Bond-Coat, Inc.</b>                   | 12% Secured Debt                       | 357   | 11,596                       | 9                  | 9                   | 11,596                    |
|  | Common Stock                           |   | 6,660                        | 940                |                     | 7,600                     |
| <b>CBT Nuggets, LLC</b>                  | Member Units                           | 1,000   | 55,480                       | 5,140              |                     | 60,620                    |
| <b>Charps, LLC</b>                       | LIBOR Plus 7.00% (Floor 1.00%)         | 14  |                              | 781                |                     | 781                       |
|  | 12% Secured Debt                       | 630   |                              | 18,220             |                     | 18,220                    |
|  | Preferred Member Units                 |   |                              | 400                |                     | 400                       |
| <b>Datacom, LLC</b>                      | 8% Secured Debt                        | 20  | 900                          | 180                |                     | 1,080                     |
|  | 5.25% Current / 5.25% PIK Secured Debt | 313   | 11,049                       | 441                |                     | 11,490                    |
|  | Class A Preferred Member Units         |   | 1,368                        | 51                 |                     | 1,419                     |
|  | Class B Preferred Member Units         |   | 1,529                        | 332                |                     | 1,861                     |
| <b>Garreco, LLC</b>                      | LIBOR Plus 12.00% (Floor 1.00%)        | 189   | 5,219                        | 975                | 225                 | 5,969                     |
|  | Member Units                           |   | 1,150                        | 320                |                     | 1,470                     |
| <b>Gulf Manufacturing, LLC</b>           | 9% PIK Secured Debt                    | 17  | 777                          |                    |                     | 777                       |
|  | Member Units                           | 139   | 8,770                        | 420                |                     | 9,190                     |
| <b>Gulf Publishing Holdings, LLC</b>     | 12.5% Secured Debt                     | 316   | 9,911                        | 4                  |                     | 9,915                     |
|  | Member Units                           |   | 3,124                        | 336                |                     | 3,460                     |



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|   |                                 |     |        |     |       |        |
|---|---------------------------------|-----|--------|-----|-------|--------|
| <b>Harrison Hydra-Gen, Ltd.</b>                     | Common Stock                    |     | 3,120  |     | 320   | 2,800  |
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Member Units                    |     | 280    |     |       | 280    |
|   | Member Units                    | 48  | 2,040  |     |       | 2,040  |
| <b>HW Temps LLC</b>                                 | LIBOR Plus 13.00% (Floor 1.00%) | 368 | 10,500 | 4   | 600   | 9,904  |
|   | Preferred Member Units          | 35  | 3,940  |     |       | 3,940  |
| <b>Indianapolis Aviation Partners, LLC</b>          | 15% Secured Debt                | 156 | 3,100  |     |       | 3,100  |
|   | Warrants                        |     | 2,649  | 61  |       | 2,710  |
| <b>Marine Shelters Holdings, LLC</b>                | 12% PIK Secured Debt            |     | 9,387  |     | 9,387 |        |
|   | Preferred Member Units          |     |        | 100 | 100   |        |
| <b>MH Corbin Holding LLC</b>                        | 10% Secured Debt                | 335 | 13,197 | 8   | 175   | 13,030 |
|   | Preferred Member Units          | 35  | 6,000  |     |       | 6,000  |
| <b>NAPCO Precast, LLC</b>                           | Prime Plus 2.00% (Floor 7.00%)  | 63  | 2,713  | 2   | 2     | 2,713  |
|   | 18% Secured Debt                | 181 | 3,952  | 3   | 3     | 3,952  |
|   | Member Units                    | 29  | 10,920 |     |       | 10,920 |
| <b>NRI Clinical Research, LLC</b>                   | LIBOR Plus 6.50% (Floor 1.50%)  | 10  | 200    | 200 |       | 400    |
|   | 14% Secured Debt                | 160 | 4,261  | 11  | 11    | 4,261  |
|   | Warrants                        |     | 680    |     |       | 680    |
|   | Member Units                    |     | 2,462  |     |       | 2,462  |

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| Company   | Investment(1)                  | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2016 Fair Value | Gross Additions(3) | Gross Reductions(4) | March 31, 2017 Fair Value |
|---|--------------------------------|---|------------------------------|--------------------|---------------------|---------------------------|
| <b>NuStep, LLC</b>  | 12% Secured Debt               | 728   |                              | 20,394             |                     | 20,394                    |
|   | Preferred Member Units         |   |                              | 10,200             |                     | 10,200                    |
| <b>OMi Holdings, Inc.</b>   | Common Stock                   | 192   | 13,080                       |                    |                     | 13,080                    |
| <b>Pegasus Research Group, LLC</b>  | Member Units                   | 60  | 8,620                        |                    | 180                 | 8,440                     |
| <b>River Aggregates, LLC</b>  | Zero Coupon Secured Debt       | 19  | 627                          | 19                 |                     | 646                       |
|   | Member Units                   |   | 4,600                        |                    |                     | 4,600                     |
|   | Member Units                   |   | 2,510                        |                    |                     | 2,510                     |
| <b>SoftTouch Medical Holdings LLC</b>   | LIBOR Plus 9.00% (Floor 1.00%) | 182   | 7,140                        | 4                  | 4                   | 7,140                     |
|   | Member Units                   | 155   | 9,170                        |                    |                     | 9,170                     |
| Other   |                                |   |                              |                    |                     |                           |
| Amounts related to investments transferred to or from other 1940 Act classification during the period |                                |   |                              |                    |                     |                           |
|   |                                | \$ 12,988   | \$ 594,282                   | \$ 85,423          | \$ 21,466           | \$ 658,239                |
| <b>Affiliate Investments</b>  |                                |   |                              |                    |                     |                           |
| <b>AFG Capital Group, LLC</b>   | Warrants                       | \$  | \$ 670                       | \$ 20              | \$                  | \$ 690                    |
|   | Member Units                   | 7   | 2,750                        | 100                |                     | 2,850                     |
| <b>Barfly Ventures, LLC</b>   | 12% Secured Debt               | 235   | 5,827                        | 1,808              |                     | 7,635                     |
|   | Options                        |   | 490                          |                    |                     | 490                       |
|   | Warrants                       |   | 280                          |                    |                     | 280                       |
| <b>BBB Tank Services, LLC</b>   | LIBOR Plus 9.50% (Floor 1.00%) | 21  | 797                          |                    |                     | 797                       |
|   | 15% Secured Debt               | 152   | 3,991                        | 1                  |                     | 3,992                     |
|   | Member Units                   |   | 800                          |                    |                     | 800                       |
| <b>Boss Industries, LLC</b>   | Preferred Member Units         | 89  | 2,800                        | 120                |                     | 2,920                     |
| <b>Bridge Capital Solutions Corporation</b>   | 13% Secured Debt               | 307   | 5,610                        | 63                 |                     | 5,673                     |
|   | Warrants                       |   | 3,370                        |                    |                     | 3,370                     |
|   | 13% Secured Debt               | 33  | 1,000                        |                    |                     | 1,000                     |
|   | Preferred Member Units         | 25  | 1,000                        |                    |                     | 1,000                     |
| <b>Buca C, LLC</b>  | LIBOR Plus 7.25% (Floor 1.00%) | 494   | 22,671                       | 21                 | 1,634               | 21,058                    |
|   | Preferred Member Units         | 57  | 4,660                        | 58                 | 728                 | 3,990                     |
| <b>CAI Software LLC</b>   | 12% Secured Debt               | 110   | 3,683                        | 3                  | 203                 | 3,483                     |
|   | Member Units                   | 30  | 2,480                        | 100                |                     | 2,580                     |
| <b>CapFusion, LLC</b>   | 13% Secured Debt               | 518   | 13,202                       | 50                 |                     | 13,252                    |
|   | Warrants                       |   | 1,200                        |                    |                     | 1,200                     |
| <b>Chandler Signs Holdings, LLC</b>   | 12% Secured Debt               | 137   | 4,500                        | 2                  | 2                   | 4,500                     |
|   | Class A Units                  | 63  | 3,240                        |                    |                     | 3,240                     |

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|  |   |     |        |       |        |        |
|--|---|-----|--------|-------|--------|--------|
| <b>Condit Exhibits, LLC</b>                    | Member Units  | 11  | 1,840  |       |        | 1,840  |
| <b>Congruent Credit Opportunities Funds</b>    | LP Interests (Fund II)                              |     | 1,518  |       | 141    | 1,377  |
|  | LP Interests (Fund III)                             | 320 | 16,181 | 2,396 |        | 18,577 |
| <b>Daseke, Inc.</b>                            | 12% Current / 2.5% PIK Secured Debt                 | 676 | 21,799 | 255   | 22,054 |        |
|  | Common Stock  |     | 24,063 |       | 24,063 |        |
| <b>Dos Rios Partners</b>                       | LP Interests (Dos Rios Partners, LP)                |     | 4,925  | 704   |        | 5,629  |
|  | LP Interests (Dos Rios Partners A, LP)              |     | 1,444  | 207   |        | 1,651  |
| <b>Dos Rios Stone Products LLC</b>             | Class A Units                                       |     | 2,070  |       |        | 2,070  |
| <b>East Teak Fine Hardwoods, Inc.</b>          | Common Stock  | 29  | 860    |       | 110    | 750    |
| <b>East West Copolymer &amp; Rubber, LLC</b>   | 12% Current / 2% PIK Secured Debt Warrants          |     | 8,630  |       | 6,390  | 2,240  |
| <b>EIG Fund Investments</b>                    | LP Interests (EIG Global Private Debt fund-A, L.P.) | 45  | 2,804  | 352   | 1,690  | 1,466  |
|  | LP Interests (EIG Traverse Co-Investment, L.P.)     | 263 | 9,905  | 68    |        | 9,973  |
| <b>Freeport Financial Fund Investments</b>     | LP Interests (Freeport Financial SBIC Fund LP)      | 102 | 5,620  | 55    |        | 5,675  |
|  | LP Interests (Freeport First Lien Loan Fund III LP) | 195 | 4,763  | 2,796 | 52     | 7,507  |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b> | 10.5% Secured Debt Warrants                         | 326 | 11,079 | 1,017 | 146    | 11,950 |

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| Company  | Investment(1)                   | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2016 Fair Value | Gross Additions(3) | Gross Reductions(4) | March 31, 2017 Fair Value |
|--|---------------------------------|---|------------------------------|--------------------|---------------------|---------------------------|
| <b>Glowpoint, Inc.</b>                                       | 12% Secured Debt                | 274   | 3,997                        | 9                  | 996                 | 3,010                     |
|  | Common Stock                    |   | 2,080                        | 190                |                     | 2,270                     |
| <b>Guerdon Modular Holdings, Inc.</b>                        | 13% Secured Debt                | 357   | 10,594                       | 9                  |                     | 10,603                    |
|  | Preferred Stock                 |   | 1,140                        |                    |                     | 1,140                     |
|  | Common Stock                    |   | 80                           |                    |                     | 80                        |
| <b>Hawk Ridge Systems, LLC</b>                               | 10% Secured Debt                | 255   | 9,901                        | 4                  |                     | 9,905                     |
|  | Preferred Member Units          | 150   | 2,850                        |                    |                     | 2,850                     |
|  | Preferred Member Units          |   | 150                          |                    |                     | 150                       |
| <b>Houston Plating and Coatings, LLC</b>                     | Member Units                    | 1   | 4,000                        | 230                |                     | 4,230                     |
| <b>I-45 SLF LLC</b>  | Member Units                    | 691   | 14,586                       | 1,321              |                     | 15,907                    |
| <b>Indianhead Pipeline Services, LLC</b>                     | 12% Secured Debt                | 727   | 5,079                        | 563                | 225                 | 5,417                     |
|  | Preferred Member Units          | 98  | 2,677                        | 98                 |                     | 2,775                     |
|  | Warrants                        |   |                              |                    |                     |                           |
|  | Member Units                    |   |                              |                    |                     |                           |
| <b>KBK Industries, LLC</b>                                   | 10% Secured Debt                | 31  | 1,250                        | 100                | 175                 | 1,175                     |
|  | 12.5% Secured Debt              | 188   | 5,889                        | 3                  |                     | 5,892                     |
|  | Member Units                    |   | 2,780                        |                    |                     | 2,780                     |
| <b>L.F. Manufacturing Holdings, LLC</b>                      | Member Units                    |   | 1,380                        |                    |                     | 1,380                     |
| <b>OnAsset Intelligence, Inc.</b>                            | 12% PIK Secured Debt            | 136   | 4,519                        | 135                |                     | 4,654                     |
|  | Preferred Stock                 |   |                              |                    |                     |                           |
|  | Warrants                        |   |                              |                    |                     |                           |
| <b>OPI International Ltd.</b>                                | 10% Unsecured Debt              | 12  | 473                          |                    |                     | 473                       |
|  | Common Stock                    |   | 1,600                        |                    | 1,220               | 380                       |
| <b>PCI Holding Company, Inc.</b>                             | 12% Secured Debt                | 400   | 13,000                       | 10                 | 10                  | 13,000                    |
|  | Preferred Stock                 | 172   | 5,370                        | 170                |                     | 5,540                     |
| <b>Rocacea, LLC (Quality Lease and Rental Holdings, LLC)</b> | 12% Secured Debt                |   | 250                          |                    |                     | 250                       |
|  | Preferred Member Units          |   |                              |                    |                     |                           |
| <b>Tin Roof Acquisition Company</b>                          | 12% Secured Debt                | 417   | 13,385                       | 16                 | 169                 | 13,232                    |
|  | Class C Preferred Stock         | 68  | 2,738                        | 69                 |                     | 2,807                     |
| <b>UniTek Global Services, Inc.</b>                          | LIBOR Plus 7.50% (Floor 1.00%)  | 113   | 5,021                        | 1                  | 1                   | 5,021                     |
|  | LIBOR Plus 8.50% (Floor 1.00%)  | 22  | 824                          | 2                  |                     | 826                       |
|  | 15% PIK Unsecured Debt          | 30  | 745                          | 28                 |                     | 773                       |
|  | Preferred Stock                 | 434   | 6,410                        | 434                | 224                 | 6,620                     |
|  | Common Stock                    |   | 3,010                        |                    | 200                 | 2,810                     |
| <b>Universal Wellhead Services Holdings, LLC</b>             | Preferred Member Units          |   | 720                          |                    |                     | 720                       |
|  | Member Units                    |   | 610                          |                    |                     | 610                       |
| <b>Valley Healthcare Group, LLC</b>                          | LIBOR Plus 12.50% (Floor 0.50%) | 433   | 12,844                       | 6                  | 100                 | 12,750                    |
|  | Preferred Member Units          |   | 1,600                        |                    |                     | 1,600                     |

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|                      |                        |     |        |     |        |
|----------------------|------------------------|-----|--------|-----|--------|
| <b>Volusion, LLC</b> | 11.5% Secured Debt     | 645 | 15,298 | 141 | 15,439 |
|                      | Preferred Member Units |     | 14,000 |     | 14,000 |
|                      | Warrants               |     | 2,576  | 126 | 2,450  |

Other  
 Amounts related to investments transferred to or from other 1940 Act classification during the period

\$ 9,899 \$ 375,948 \$ 13,735 \$ 60,659 \$ 329,024

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This schedule should be read in conjunction with Main Street's consolidated financial statements, including the consolidated schedule of investments and notes to the consolidated financial statements.

- (1) The principal amount, the ownership detail for equity investments and if the investment is income producing is included in the consolidated schedule of investments.

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- (2) Represents the total amount of interest, fees and dividends credited to income for the portion of the period for which an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the period, any income or investment balances related to the time period it was in the category other than the one shown at period end is included in "Amounts from investments transferred from other 1940 Act classifications during the period."
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in net unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in net unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

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PROSPECTUS

**\$1,500,000,000**

**Common Stock  
Preferred Stock  
Warrants  
Subscription Rights  
Debt Securities  
Units**

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We may offer, from time to time in one or more offerings, up to \$1,500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock, or debt securities, subscription rights, debt securities or units, which we refer to, collectively, as the "securities." Our securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 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, but we may seek such authorization at future annual meetings or special meetings of stockholders. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, we have received stockholder approval 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 Investment Company Act of 1940, as amended. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval. Moreover, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value."

**Shares of closed-end investment companies such as us frequently trade at a discount to their net asset value. This risk 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 above, at or below net asset value. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our common stock.**

Our securities may be offered to one or more purchasers directly by us, through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such securities, which must be delivered to each purchaser at, or prior to, the earlier of delivery of a confirmation of sale or delivery of the securities.

We are a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$15 million.

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

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

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

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Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "MAIN." On April 25, 2017, the last reported sale price of our common stock on the NYSE was \$39.80 per share, and the net asset value per share of our common stock on December 31, 2016 (the last date prior to the date of this prospectus on which we determined our net asset value per share) was \$22.10.

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**Investing in our securities involves a high degree of risk, and should be considered highly speculative. See "Risk Factors" beginning on page 14 to read about factors you should consider, including the risk of leverage and dilution, before investing in our securities.**

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

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

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The date of this prospectus is April 26, 2017

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This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to \$1,500,000,000 of our securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under "Available Information" and "Risk Factors" before you make an investment decision.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or any accompanying supplement to this prospectus. You must not rely on any unauthorized information or representations not contained in this prospectus or

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any accompanying prospectus supplement as if we had authorized it. This prospectus and any accompanying prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any accompanying prospectus supplement is accurate as of the dates on their covers.

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**PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including the section entitled "Risk Factors." Yield information contained in this prospectus related to debt investments in our investment portfolio is not intended to approximate a return on your investment in us and does not take into account other aspects of our business, including our operating and other expenses, or other costs incurred by you in connection with your investment in us.*

**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"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). We received our third SBIC licence for MSC III in August 2016. 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 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 taxable income or capital gains that it distributes to its stockholders.

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

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

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.

**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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

We seek to fill the financing gap for LMM businesses, which, historically, have had 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.

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

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generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

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

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

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

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). 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.

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

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

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

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

**Business Strategies**

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

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

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

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

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

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

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

**Risk Factors**

Investing in our securities involves a high degree of risk. You should consider carefully the information found in "Risk Factors," including the following risks:

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.

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.

Typically, there is not a public market for the securities of the privately held LMM 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 observable inputs to determine the fair value of these investments quarterly through obtaining third party quotes and other independent pricing, which are reviewed by our audit committee with the oversight, review and approval of our Board of Directors.

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

We may face increasing competition for investment opportunities.

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

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

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.

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.

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

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.



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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, including from amortization of original issue discount, contractual payment-in-kind, or PIK, interest, contractual preferred dividends, or amortization of market discount. 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.

Because we intend to distribute substantially all of our taxable 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.

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.

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.

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

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.



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

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

**Investment Criteria**

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

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

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

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

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

**Recent Developments**

In January 2017, we led a new portfolio investment to facilitate the majority recapitalization of NuStep, Inc. ("NuStep"), the leading manufacturer of recumbent cross-trainers focused primarily on the physical therapy, physical rehabilitation and active aging markets. We, along with HMS Income, partnered with the NuStep's management team to facilitate the recapitalization of NuStep, with us funding \$30.8 million in a combination of first-lien, senior secured term debt and direct equity investment. Headquartered in Ann Arbor, Michigan, NuStep serves customers across a variety of end markets, including physical therapy and rehabilitation clinics, skilled nursing facilities, fitness centers, hospitals, retirement communities and individual consumers. NuStep manufactures all of its products at its manufacturing facilities in Ann Arbor and sells its products throughout the United States and across a wide variety of international markets.

In February 2017, we led a new portfolio investment to facilitate the management-led buyout of Charps Welding & Fabricating, Inc. ("Charps"), a premier specialty contractor focused on the maintenance, repair, fabrication and construction of oil and gas pipelines. We, along with HMS Income, partnered with the Charps' management team to facilitate the buyout, with us funding \$18.8 million in a combination of first-lien, senior secured term debt and a direct equity investment. Headquartered in Clearbrook, Minnesota, and founded in 1999, Charps provides various pipeline services to customers focused on energy transmission and distribution. Charps primarily performs work in the Midwest, Ohio

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Valley and Eastern U.S., and its pipeline services include pipeline integrity services, emergency response, hydrostatic testing, existing line replacement, pipeline fabrication and new construction and installation.

During February 2017, we declared regular monthly dividends of \$0.185 per share for each of April, May and June 2017. These regular monthly dividends equal a total of \$0.555 per share for the second quarter of 2017. The second quarter 2017 regular monthly dividends represent a 2.8% increase from the dividends declared for the second quarter of 2016.

During February 2017, we completed the exit of our debt and equity investments in Daseke, Inc. ("Daseke"). Daseke is a leading consolidator of the open-deck trucking market and the largest owner of open-deck capacity in North America. Main Street made its initial investment in Daseke in December 2008 and realized a gain of approximately \$22.9 million on the exit of its equity investment in Daseke.

During April 2017, we declared a semi-annual supplemental cash dividend of \$0.275 per share payable in June 2017. This supplemental cash dividend is in addition to the previously announced regular monthly cash dividends that we declared for the second quarter of 2017 of \$0.185 per share for each of April, May and June 2017. Including the semi-annual supplemental dividend declared for June 2017 and the regular dividends declared for the second quarter of 2017, we will have paid \$19.99 per share in cumulative dividends since our October 2007 initial public offering.

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**The Offering**

We may offer, from time to time, up to \$1,500,000,000 of our securities, on terms to be determined at the time of the offering. Our securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

Our securities may be offered directly to one or more purchasers by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding the offering of our securities:

|                                 |   |
|---------------------------------|---|
| Use of proceeds                 | We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in "Marketable securities and idle funds investments," which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. See "Use of Proceeds."   |
| New York Stock Exchange symbols | "MAIN" (common stock); and "MSCA" (6.125% notes due 2023).  |
| Dividends and distributions     | Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time.<br>Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time.<br>When we make distributions, we are 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 (a distribution of the stockholders' invested capital), investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital. |

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|                            |   |
|----------------------------|---|
| Taxation                   | <p>MSCC has elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our qualification as a RIC for U.S. federal income tax purposes, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. 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% U.S. federal 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. See "Material U.S. Federal Income Tax Considerations."</p> |
| Dividend reinvestment plan | <p>We have adopted a dividend reinvestment plan that provides for the reinvestment of dividends on behalf of our registered stockholders who hold their shares with American Stock Transfer and Trust Company, the plan administrator and our transfer agent and registrar, or certain brokerage firms that have elected to participate in our dividend reinvestment plan, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our registered stockholders (or stockholders holding shares through participating brokerage firms) who have not "opted out" of our dividend reinvestment plan by the dividend record date will have their cash dividend automatically reinvested into additional shares of our common stock.</p> <p>Stockholders who receive dividends in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their dividends in cash. See "Dividend Reinvestment Plan."</p>   |
| Trading at a discount      | <p>Shares of closed-end investment companies frequently trade at a discount to their net asset value. This risk is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.</p>  |

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|   |  |
|---|--|
| Sales of common stock below net asset value | <p>The offering price per share of our common stock, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering, except (i) with the requisite approval of our common stockholders or (ii) under such other circumstances as the Securities and Exchange Commission may permit. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 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, but we may seek such authorization at future annual meetings or special meetings of stockholders.</p> <p>In addition, we have received stockholder approval 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.</p> <p>Sales by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. See "Sales of Common Stock Below Net Asset Value."</p> |
| Available Information                       | <p>We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, or the "Exchange Act." You can inspect any materials we file with the SEC, without charge, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The information we file with the SEC is available free of charge by contacting us at 1300 Post Oak Boulevard, 8<sup>th</sup> Floor, Houston, TX 77056, by telephone at (713) 350-6000 or on our website at <a href="http://www.mainstcapital.com">http://www.mainstcapital.com</a>. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is <a href="http://www.sec.gov">http://www.sec.gov</a>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus, and you should not consider information contained on our website or on the SEC's website to be part of this prospectus.</p>   |

Table of Contents**FEES AND EXPENSES**

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

|   |              |
|---|--------------|
| <b><i>Stockholder Transaction Expenses:</i></b>   |              |
| Sales load (as a percentage of offering price)  | %(1)         |
| Offering expenses (as a percentage of offering price)                                       | %(2)         |
| Dividend reinvestment plan expenses   | %(3)         |
| <b>Total stockholder transaction expenses (as a percentage of offering price)</b>           | <b>%(4)</b>  |
| <b><i>Annual Expenses (as a percentage of net assets attributable to common stock):</i></b> |              |
| Operating expenses  | 2.83%(5)     |
| Interest payments on borrowed funds   | 2.93%(6)     |
| Income tax expense  | %(7)         |
| Acquired fund fees and expenses   | 0.40%(8)     |
| <b>Total annual expenses</b>  | <b>6.16%</b> |

- (1) In the event that our securities are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) In the event that we conduct an offering of our securities, a corresponding prospectus supplement will disclose the estimated offering expenses.
- (3) The expenses of administering our dividend reinvestment plan are included in operating expenses.
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus supplement, if any.
- (5) Operating expenses in this table represent the estimated expenses of MSCC and its consolidated subsidiaries.
- (6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (7) Income tax expense relates to the accrual of (a) deferred tax provision (benefit) on the net unrealized appreciation (depreciation) from portfolio investments held in Taxable Subsidiaries and (b) excise, state and other taxes. Deferred taxes are non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable or receivable. Due to the variable nature of deferred tax expense, which can be a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2016. However, since the income tax benefit at December 31, 2016 was \$1.2 million, which would have resulted in a (0.10%) percentage of net assets attributable to common stock, 0.00% was used.
- (8) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.





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The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

|   | 1 Year | 3 Years | 5 Years | 10 Years |
|---|--------|---------|---------|----------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return | \$ 61  | \$ 182  | \$ 299  | \$ 581   |

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

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**RISK FACTORS**

*Investing in our securities involves a number of significant risks. In addition to the other information contained in this prospectus and any accompanying prospectus supplement, 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. 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 decline in oil and natural gas prices experienced over the last two years 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, public debt issuances, leverage available through the SBIC program and equity offerings, 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 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 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 annual meeting of stockholders, because our common stock price has been trading significantly above the net asset value per share of our common stock since 2011.

**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

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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 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 contained in this prospectus 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, collateralized loan obligation funds, or CLOs, BDCs, and SBICs), as well as

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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 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, K. Colton Braud, III, 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, debt 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,

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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-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. The 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. We have received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of the Funds from our 200% asset

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coverage test under the 1940 Act. 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.

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.

Any unsecured debt issued by us would rank (i) *pari passu* with our current and future unsecured indebtedness and effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, and (ii) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the SBA-guaranteed debentures issued by the Funds.

*Additional 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 current net asset value per share provided that 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 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 annual meeting of stockholders, because our common stock price has been trading significantly above the net asset value per share of our common stock since 2011. 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.

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***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, among other things, that a licensed SBIC be periodically examined by the SBA and audited by an independent auditor, in each case to determine the SBIC's 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, 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, 2016, we, through the Funds, had \$240.0 million of outstanding indebtedness guaranteed by the SBA, which had a weighted-average annualized interest cost of approximately 4.1%. The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted-average remaining maturity of 4.9 years as of December 31, 2016, and require semiannual 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, 2016, we had \$343.0 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 (0.77% as of December 31, 2016) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.75% as of December 31, 2016) plus 0.875%), as long as we maintain an investment grade rating and meet certain agreed upon excess collateral and maximum



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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, 2016, 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, 2016, 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 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) | (20.0)% | (11.3)% | (2.7)% | 6.0% | 14.6% |

(1) Assumes \$2,080.3 million in total assets, \$848.7 million in debt outstanding, \$1,201.5 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, 2016 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.

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***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.

***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

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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.

In addition, in November 2014, the Federal Reserve established a working group, the Alternative Reference Rates Committee ("ARRC"), to identify a set of alternative interest reference rates to LIBOR. In a May 2016 interim report, the ARRC narrowed its choice to two LIBOR alternatives. The first choice is the Overnight Bank Funding Rate ("OBFR"), which consists of domestic and foreign unsecured borrowing in U.S. dollars. The Federal Reserve has been calculating the OBFR and publishing it since March 2016. The second alternative rate to LIBOR is the Treasury General Collateral ("GC") rate, which is composed of repo transactions secured by treasuries or other assets accepted as collateral by the majority of intermediaries in the repo market. No specific rate for the GC alternative has yet been specified to serve as a replacement for LIBOR, and it remains undefined. The transition to any alternative rate will require careful and deliberate consideration and implementation so as to not disrupt the stability of financial markets. Regulators, financial institutions, benchmark administrators, and borrowers will need to strategize and implement these changes in a manner that is least disruptive. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers.

*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.

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***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 U.S. federal 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 (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 taxable 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% U.S. federal 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 "Material U.S. Federal Income Tax Considerations 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 taxable 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 U.S. federal income tax.

The source-of-income requirement will be satisfied if we obtain at least 90% of our gross 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 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

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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 taxable 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, 2016, (i) approximately 3.6% of our total investment income was attributable to PIK income not paid currently in cash, (ii) approximately 0.8% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 1.2% of our total investment income was attributable to cumulative dividend income not paid currently in cash, and (iv) approximately 2.3% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

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Since, in certain cases, we may recognize taxable income before or without receiving cash representing such income, we may have difficulty meeting the Annual Distribution Requirement necessary to maintain RIC tax 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 U.S. federal income tax. For additional discussion regarding the tax implications of a RIC, please see "Material U.S. Federal Income Tax Considerations 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 U.S. federal taxes, we will be required to distribute substantially all of our net ordinary taxable income and net capital gain income, including taxable 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.

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***Because we intend to distribute substantially all of our taxable 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 U.S. federal taxes, we intend to distribute to our stockholders substantially all of our net ordinary taxable income and net capital gain income. We may carry forward excess undistributed taxable income into the next year, net of the 4% U.S. federal 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 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 below the then current net asset value per share of our common stock at our 2016 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 2017 annual meeting of stockholders for the same reason. 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.

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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. Please see "Sales of Common Stock Below Net Asset Value" for a more complete discussion of the potentially dilutive impacts of an offering at a price less than net asset value, or NAV, per share.

*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 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>Reduction to NAV</b>                 |                            |                             |                      |
| Total Shares Outstanding                | 1,000,000                  | 1,040,000                   | 4.0%                 |
| NAV per share                           | \$ 10.00                   | \$ 9.98                     | (0.2)%               |
| <b>Dilution to Existing Stockholder</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. 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



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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 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;

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,



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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 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 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 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 decline in oil and natural gas prices experienced over the last two years 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 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

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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.

***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.

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***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.

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

***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

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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.

***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

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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, which is often referred to as "junk," 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 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

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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 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.



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***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 BDC 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;

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.

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*We may in the future determine to issue preferred stock, which could adversely affect the market value of our common stock.*

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock we issue must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to our common stockholders, and holders of preferred stock are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the 1940 Act, preferred stock constitutes a "senior security" for purposes of the 200% asset coverage test.

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus and any accompanying prospectus supplement constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus and any accompanying prospectus supplement may include statements as to:

- our future operating results and dividend projections;
- our business prospects and the prospects of our portfolio companies;
- the impact of the investments that we expect to make;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

In addition, words such as "anticipate," "believe," "expect" and "intend" indicate a forward-looking statement, although not all forward-looking statements include these words. The forward-looking statements contained in this prospectus and any accompanying prospectus supplement involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus and any accompanying prospectus supplement. Other factors that could cause actual results to differ materially include:

- changes in the economy;
- risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; and
- future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this prospectus and will base the forward-looking statements included in any accompanying prospectus supplement on information available to us on the date of this prospectus and any accompanying prospectus

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supplement, as appropriate, and we assume no obligation to update any such forward-looking statements, except as required by law. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to refer to any additional disclosures that we may make directly to you, including in the form of a prospectus supplement or post-effective amendment to the registration statement, or through reports that we in

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the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

**USE OF PROCEEDS**

We intend to use the net proceeds from any offering to make investments in accordance with our investment objective and strategies described in this prospectus or any prospectus supplement, to make investments in Marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt, rated debt securities and other income producing investments, to pay our operating expenses and other cash obligations, and for general corporate purposes. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest-bearing deposits or other short-term instruments. See "Risk Factors Risks Relating to Our Securities We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results." The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such an offering.

**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

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

The following table sets forth, for the periods indicated, the range of high and low closing prices of our common stock as reported on the NYSE, and the sales price as a percentage of the net asset value per share of our common stock.

|   | NAV(1)   | Price Range |          | Premium of High Sales Price to NAV(2) | Premium of Low Sales Price to NAV(2) |
|---|----------|-------------|----------|---------------------------------------|--------------------------------------|
|   |          | High        | Low      |                                       |                                      |
| <b>Year ending December 31, 2017</b>    |          |             |          |                                       |                                      |
| Second Quarter (through April 25, 2017) | *        | \$ 39.80    | \$ 38.08 | *                                     | *                                    |
| First Quarter                           | *        | \$ 38.27    | \$ 35.39 | *                                     | *                                    |
| <b>Year ending December 31, 2016</b>    |          |             |          |                                       |                                      |
| Fourth Quarter                          | \$ 22.10 | \$ 37.36    | \$ 32.23 | 69%                                   | 46%                                  |
| Third Quarter                           | 21.62    | 34.59       | 32.61    | 60%                                   | 51%                                  |
| Second Quarter                          | 21.11    | 32.90       | 30.52    | 56%                                   | 45%                                  |
| First Quarter                           | 21.18    | 31.46       | 26.35    | 49%                                   | 24%                                  |
| <b>Year ending December 31, 2015</b>    |          |             |          |                                       |                                      |
| Fourth Quarter                          | \$ 21.24 | \$ 32.28    | \$ 27.69 | 52%                                   | 30%                                  |
| Third Quarter                           | 21.79    | 33.08       | 26.38    | 52%                                   | 21%                                  |
| Second Quarter                          | 21.84    | 32.59       | 30.47    | 49%                                   | 40%                                  |
| First Quarter                           | 21.87    | 31.47       | 27.87    | 44%                                   | 27%                                  |

(1) Net asset value per share, or NAV, is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the first or second quarters of 2017.

(2) Calculated as the respective high or low share price divided by NAV for such quarter.

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On April 25, 2017 the last sale price of our common stock on the NYSE was \$39.80 per share, and there were approximately 266 holders of record of the common stock which did not include stockholders for whom shares are held in "nominee" or "street name." The net asset value per share of our common stock on December 31, 2016 (the last date prior to the date of this prospectus on which we determined our net asset value per share) was \$22.10, and the premium of the April 25, 2017 closing price of our common stock was 80% to this net asset value per share.

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:

| <b>Date Declared</b>    | <b>Record Date</b> | <b>Payment Date</b> | <b>Amount(1)</b> |
|-------------------------|--------------------|---------------------|------------------|
| <b>Fiscal year 2017</b> |                    |                     |                  |
| February 22, 2017       | May 19, 2017       | June 14, 2017       | \$ 0.185         |
| February 22, 2017       | April 20, 2017     | May 15, 2017        | \$ 0.185         |
| February 22, 2017       | March 21, 2017     | April 13, 2017      | \$ 0.185         |
| November 2, 2016        | February 22, 2017  | March 15, 2017      | \$ 0.185         |
| November 2, 2016        | January 20, 2017   | February 15, 2017   | \$ 0.185         |
| November 2, 2016        | December 30, 2016  | January 13, 2017    | \$ 0.185(2)      |
|                         |                    |                     | \$ 1.110         |

|                         |                    |                    |             |
|-------------------------|--------------------|--------------------|-------------|
| <b>Fiscal year 2016</b> |                    |                    |             |
| October 18, 2016        | December 16, 2016  | December 23, 2016  | \$ 0.275(2) |
| August 2, 2016          | November 21, 2016  | December 13, 2016  | \$ 0.185(2) |
| August 2, 2016          | October 20, 2016   | November 15, 2016  | \$ 0.185(2) |
| August 2, 2016          | September 21, 2016 | October 14, 2016   | \$ 0.185(2) |
| May 3, 2016             | August 19, 2016    | September 15, 2016 | \$ 0.180(2) |
| May 3, 2016             | July 21, 2016      | August 15, 2016    | \$ 0.180(2) |
| May 3, 2016             | July 1, 2016       | July 15, 2016      | \$ 0.180(2) |
| April 20, 2016          | June 20, 2016      | June 27, 2016      | \$ 0.275(2) |
| February 23, 2016       | May 20, 2016       | June 15, 2016      | \$ 0.180(2) |
| February 23, 2016       | April 21, 2016     | May 16, 2016       | \$ 0.180(2) |
| February 23, 2016       | March 21, 2016     | April 15, 2016     | \$ 0.180(2) |
| November 3, 2015        | February 22, 2016  | March 15, 2016     | \$ 0.180(2) |
| November 3, 2015        | January 22, 2016   | February 17, 2016  | \$ 0.180(2) |
| November 3, 2015        | December 30, 2015  | January 15, 2016   | \$ 0.180(3) |
|                         |                    |                    | \$ 2.725    |

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| Date Declared           | Record Date        | Payment Date       | Amount(1)   |
|-------------------------|--------------------|--------------------|-------------|
| <b>Fiscal year 2015</b> |                    |                    |             |
| October 20, 2015        | December 17, 2015  | December 24, 2015  | \$ 0.275(3) |
| August 3, 2015          | November 20, 2015  | December 14, 2015  | \$ 0.180(3) |
| August 3, 2015          | October 21, 2015   | November 16, 2015  | \$ 0.180(3) |
| August 3, 2015          | September 21, 2015 | October 15, 2015   | \$ 0.180(3) |
| May 5, 2015             | August 20, 2015    | September 15, 2015 | \$ 0.175(3) |
| May 5, 2015             | July 21, 2015      | August 14, 2015    | \$ 0.175(3) |
| May 5, 2015             | July 1, 2015       | July 15, 2015      | \$ 0.175(3) |
| April 22, 2015          | June 18, 2015      | June 25, 2015      | \$ 0.275(3) |
| February 24, 2015       | May 20, 2015       | June 15, 2015      | \$ 0.175(3) |
| February 24, 2015       | April 21, 2015     | May 15, 2015       | \$ 0.175(3) |
| February 24, 2015       | March 20, 2015     | April 15, 2015     | \$ 0.175(3) |
| November 6, 2014        | February 20, 2015  | March 16, 2015     | \$ 0.170(3) |
| November 6, 2014        | January 21, 2015   | February 13, 2015  | \$ 0.170(3) |
| November 6, 2014        | December 31, 2014  | January 15, 2015   | \$ 0.170(4) |
| Total                   |                    |                    | \$ 2.650    |

|                         |                    |                    |             |
|-------------------------|--------------------|--------------------|-------------|
| <b>Fiscal year 2014</b> |                    |                    |             |
| October 23, 2014        | December 18, 2014  | December 24, 2014  | \$ 0.275(4) |
| August 4, 2014          | November 20, 2014  | December 15, 2014  | \$ 0.170(4) |
| August 4, 2014          | October 20, 2014   | November 14, 2014  | \$ 0.170(4) |
| August 4, 2014          | September 19, 2014 | October 15, 2014   | \$ 0.170(4) |
| May 6, 2014             | August 20, 2014    | September 15, 2014 | \$ 0.165(4) |
| May 6, 2014             | July 21, 2014      | August 15, 2014    | \$ 0.165(4) |
| May 6, 2014             | June 30, 2014      | July 15, 2014      | \$ 0.165(4) |
| April 21, 2014          | June 20, 2014      | June 25, 2014      | \$ 0.275(4) |
| February 26, 2014       | May 21, 2014       | June 16, 2014      | \$ 0.165(4) |
| February 26, 2014       | April 20, 2014     | May 15, 2014       | \$ 0.165(4) |
| February 26, 2014       | March 21, 2014     | April 15, 2014     | \$ 0.165(4) |
| November 6, 2013        | February 20, 2014  | March 14, 2014     | \$ 0.165(4) |
| November 6, 2013        | January 21, 2014   | February 14, 2014  | \$ 0.165(4) |
| November 6, 2013        | December 30, 2013  | January 15, 2014   | \$ 0.165(5) |
| Total                   |                    |                    | \$ 2.545    |

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|  | Amount(1)        |
|--|------------------|
| <b>Fiscal year 2013</b>                      |                  |
| Total  | \$ 2.660(5)(6)   |
| <b>Fiscal year 2012</b>                      |                  |
| Total  | \$ 1.710(6)(7)   |
| <b>Fiscal year 2011</b>                      |                  |
| Total  | \$ 1.560(7)      |
| <b>Fiscal year 2010</b>                      |                  |
| Total  | \$ 1.500(8)      |
| <b>Fiscal year 2009</b>                      |                  |
| Total  | \$ 1.500(9)(10)  |
| <b>Fiscal year 2008</b>                      |                  |
| Total  | \$ 1.425(10)     |
| <b>Fiscal year 2007</b>                      |                  |
| Total  | \$ 0.330(11)     |
| <b>Cumulative dividends declared or paid</b> | <b>\$ 19.715</b> |

- 
- (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 2016 were comprised of ordinary income of \$1.911 per share, long term capital gain of \$0.761 per share, and qualified dividend income of \$0.058 per share, and included dividends with a record date during fiscal year 2016, including the dividend declared and accrued as of December 31, 2016 and paid on January 13, 2017, pursuant to the Code.



- (3) 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.
- (4) 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.
- (5) 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.

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- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.

Including the long-term capital gains discussed above, the following percentages represent the total dividends which are exempt from United States withholding tax.

| <b>Payment Dates</b>          | <b>Interest-Related Dividends<br/>and Short-Term<br/>Capital Gain Dividend</b> | <b>Distributions Exempt<br/>from U.S.<br/>Withholding Tax(1)</b> |
|-------------------------------|--|--|
| 2/17/2016                     | 68.96%   | 75.79%   |
| From 3/15/2016 to 5/16/2016   | 75.79%   | 75.79%   |
| From 6/15/2016 to 6/27/2016   | 75.00%   | 75.00%   |
| 7/15/2016                     | 0.00%  | 75.00%   |
| 8/15/2016                     | 0.00%  | 92.75%   |
| 9/15/2016                     | 0.00%  | 100.00%  |
| From 10/14/2016 to 11/15/2016 | 0.00%  | 70.00%   |
| 12/13/2016                    | 66.06%   | 70.00%   |
| From 12/23/2016 to 1/13/2017  | 70.00%   | 70.00%   |

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 stockholder with the Internal Revenue Service.

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To obtain and maintain RIC tax treatment, we must, among other things, distribute at least 90% of our net ordinary taxable 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% non-deductible 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 taxable income recognized, but not distributed, in preceding years on which we paid no U.S. federal income tax. 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. 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

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price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs.

**RATIOS OF EARNINGS TO FIXED CHARGES**

The following table contains our ratio of earnings to fixed charges for the periods indicated, computed as set forth below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, included in this prospectus.

|                                 | <b>For the Year<br/>Ended<br/>December 31,<br/>2016</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2015</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2014</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2013</b> | <b>For the Year<br/>Ended<br/>December 31,<br/>2012</b> |
|---------------------------------|---|---|---|---|---|
| Earnings to Fixed<br>Charges(1) | 5.09  | 3.98  | 5.54  | 5.78  | 8.37  |

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

Table of Contents**SELECTED FINANCIAL DATA**

The selected financial and other data below reflects the consolidated financial condition and the consolidated statement of operations of Main Street and its subsidiaries as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. The selected financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 have been derived from consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Senior Securities" and the financial statements and related notes in this prospectus.

|  | Twelve Months Ended December 31, |                   |                   |                   |                   |
|--|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2016                             | 2015              | 2014              | 2013              | 2012              |
| (dollars in thousands, except per share amounts)   |                                  |                   |                   |                   |                   |
| <b>Statement of operations data:</b>   |                                  |                   |                   |                   |                   |
| Investment income:   |                                  |                   |                   |                   |                   |
| Total interest, fee and dividend income  | \$ 178,165                       | \$ 163,603        | \$ 139,939        | \$ 115,158        | \$ 88,858         |
| Interest from idle funds and other   | 174                              | 986               | 824               | 1,339             | 1,662             |
| <b>Total investment income</b>   | <b>178,339</b>                   | <b>164,589</b>    | <b>140,763</b>    | <b>116,497</b>    | <b>90,520</b>     |
| Expenses:  |                                  |                   |                   |                   |                   |
| Interest   | (33,630)                         | (32,115)          | (23,589)          | (20,238)          | (15,631)          |
| Compensation   | (16,408)                         | (14,852)          | (12,337)          | (8,560)           |                   |
| General and administrative   | (9,284)                          | (8,621)           | (7,134)           | (4,877)           | (2,330)           |
| Share-based compensation   | (8,304)                          | (6,262)           | (4,215)           | (4,210)           | (2,565)           |
| Expenses charged to the External Investment Manager  | 5,089                            | 4,335             | 2,048             |                   |                   |
| Expenses reimbursed to MSCP(1)   |                                  |                   |                   | (3,189)           | (10,669)          |
| <b>Total expenses</b>  | <b>(62,537)</b>                  | <b>(57,515)</b>   | <b>(45,227)</b>   | <b>(41,074)</b>   | <b>(31,195)</b>   |
| Net investment income  | 115,802                          | 107,074           | 95,536            | 75,423            | 59,325            |
| Total net realized gain (loss) from investments  | 29,389                           | (21,316)          | 23,206            | 7,277             | 16,479            |
| Total net realized loss from SBIC debentures   |                                  |                   |                   | (4,775)           |                   |
| Total net change in unrealized appreciation (depreciation) from investments  | (6,576)                          | 10,871            | (776)             | 14,503            | 44,464            |
| Total net change in unrealized appreciation (depreciation) from SBIC debentures and investment in MSCP(1)            | (943)                            | (879)             | (10,931)          | 4,392             | (5,004)           |
| Income tax benefit (provision)   | 1,227                            | 8,687             | (6,287)           | 35                | (10,820)          |
| <b>Net increase in net assets resulting from operations</b>  | <b>138,899</b>                   | <b>104,437</b>    | <b>100,748</b>    | <b>96,855</b>     | <b>104,444</b>    |
| Noncontrolling interest  |                                  |                   |                   |                   | (54)              |
| <b>Net increase in net assets resulting from operations attributable to common stock</b>                             | <b>\$ 138,899</b>                | <b>\$ 104,437</b> | <b>\$ 100,748</b> | <b>\$ 96,855</b>  | <b>\$ 104,390</b> |
| <b>Net investment income per share basic and diluted</b>   | <b>\$ 2.23</b>                   | <b>\$ 2.18</b>    | <b>\$ 2.20</b>    | <b>\$ 2.06</b>    | <b>\$ 2.01</b>    |
| <b>Net increase in net assets resulting from operations attributable to common stock per share basic and diluted</b> | <b>\$ 2.67</b>                   | <b>\$ 2.13</b>    | <b>\$ 2.31</b>    | <b>\$ 2.65</b>    | <b>\$ 3.53</b>    |
| <b>Weighted-average shares outstanding basic and diluted</b>   | <b>52,025,002</b>                | <b>49,071,492</b> | <b>43,522,397</b> | <b>36,617,850</b> | <b>29,540,114</b> |

(1)

As defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Basis of Presentation."

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|   | As of December 31,     |                     |                     |                     |                     |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2016                   | 2015                | 2014                | 2013                | 2012                |
|   | (dollars in thousands) |                     |                     |                     |                     |
| <b>Balance sheet data:</b>  |                        |                     |                     |                     |                     |
| Assets:   |                        |                     |                     |                     |                     |
| Total portfolio investments at fair value                             | \$ 1,996,906           | \$ 1,799,996        | \$ 1,563,330        | \$ 1,286,188        | \$ 924,431          |
| Marketable securities and idle funds investments                      |                        | 3,693               | 9,067               | 13,301              | 28,535              |
| Cash and cash equivalents   | 24,480                 | 20,331              | 60,432              | 34,701              | 63,517              |
| Interest receivable and other assets                                  | 37,123                 | 37,638              | 46,406              | 16,054              | 14,580              |
| Deferred financing costs, net of accumulated amortization             | 12,645                 | 13,267              | 14,550              | 9,931               | 5,162               |
| Deferred tax asset, net   | 9,125                  | 4,003               |                     |                     |                     |
| <b>Total assets</b>   | <b>\$ 2,080,279</b>    | <b>\$ 1,878,928</b> | <b>\$ 1,693,785</b> | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> |
| Liabilities and net assets:   |                        |                     |                     |                     |                     |
| Credit facility   | \$ 343,000             | \$ 291,000          | \$ 218,000          | \$ 237,000          | \$ 132,000          |
| SBIC debentures at fair value(1)                                      | 239,603                | 223,660             | 222,781             | 187,050             | 211,467             |
| 4.50% Notes   | 175,000                | 175,000             | 175,000             |                     |                     |
| 6.125% Notes  | 90,655                 | 90,738              | 90,823              | 90,882              |                     |
| Accounts payable and other liabilities                                | 14,205                 | 12,292              | 10,701              | 10,549              | 8,593               |
| Payable for securities purchased                                      | 2,184                  | 2,311               | 14,773              | 27,088              | 20,661              |
| Interest payable  | 4,103                  | 3,959               | 4,848               | 2,556               | 3,562               |
| Dividend payable  | 10,048                 | 9,074               | 7,663               | 6,577               | 5,188               |
| Deferred tax liability, net   |                        |                     | 9,214               | 5,940               | 11,778              |
| <b>Total liabilities</b>  | <b>878,798</b>         | <b>808,034</b>      | <b>753,803</b>      | <b>567,642</b>      | <b>393,249</b>      |
| <b>Total net asset value</b>  | <b>1,201,481</b>       | <b>1,070,894</b>    | <b>939,982</b>      | <b>792,533</b>      | <b>642,976</b>      |
| <b>Total liabilities and net assets</b>                               | <b>\$ 2,080,279</b>    | <b>\$ 1,878,928</b> | <b>\$ 1,693,785</b> | <b>\$ 1,360,175</b> | <b>\$ 1,036,225</b> |
| <b>Other data:</b>  |                        |                     |                     |                     |                     |
| Weighted-average effective yield on LMM debt investments(2)           | 12.5%                  | 12.2%               | 13.2%               | 14.7%               | 14.3%               |
| Number of LMM portfolio companies                                     | 73                     | 71                  | 66                  | 62                  | 56                  |
| Weighted-average effective yield on Middle Market debt investments(2) | 8.5%                   | 8.0%                | 7.8%                | 7.8%                | 8.0%                |
| Number of Middle Market portfolio companies                           | 78                     | 86                  | 86                  | 92                  | 79                  |
| Weighted-average effective yield on Private Loan debt investments(2)  | 9.6%                   | 9.5%                | 10.1%               | 11.3%               | 14.8%               |
| Number of Private Loan portfolio companies                            | 46                     | 40                  | 31                  | 15                  | 9                   |
| Expense ratios (as percentage of average net assets):                 |                        |                     |                     |                     |                     |
| Total expenses, including income tax expense                          | 5.5%                   | 4.6%                | 5.8%                | 5.8%                | 8.2%(3)             |
| Operating expenses  | 5.6%                   | 5.5%                | 5.1%                | 5.8%                | 6.1%(3)             |
| Operating expenses, excluding interest expense                        | 2.6%                   | 2.4%                | 2.4%                | 3.0%                | 3.0%(3)             |
| Total investment return(4)  | 37.4%                  | 8.5%                | 3.1%                | 16.7%               | 53.6%               |
| Total return based on change in NAV(5)                                | 13.0%                  | 11.1%               | 12.7%               | 15.1%               | 25.7%               |

(1) SBIC debentures for December 31, 2016, 2015, 2014, 2013, and 2012 are \$240,000, \$225,000, \$225,000, \$200,200, and \$225,000 at par, respectively, with par of \$75,200 for December 31, 2016, 2015, 2014 and 2013, and \$100,000 for December 31, 2012 recorded at fair value of \$74,803, \$73,860, \$72,981, \$62,050, and \$86,467, as of December 31, 2016, 2015, 2014, 2013, and 2012, 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. 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 any debt investments on non-accrual status, Main Street's expenses or any sales load paid by an investor. For information on our investments on non-accrual status, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio Asset Quality" elsewhere in this prospectus.

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- (3) Ratios are net of amounts attributable to MSC II non-controlling interest.
- (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.

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

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

*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 this prospectus.*

**ORGANIZATION**

Main Street Capital Corporation ("MSCC") is a principal investment firm primarily focused on providing customized debt and equity financing to lower middle market ("LMM") companies and debt capital to middle market ("Middle Market") companies. The portfolio investments of MSCC and its consolidated subsidiaries are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in 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"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). Because MSCC is internally managed, all of the executive officers and other employees are employed by MSCC. Therefore, MSCC does not pay any external investment advisory fees, but instead directly incurs the operating costs associated with employing investment and portfolio management professionals.

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and 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 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 taxable income or capital gains that it distributes to its stockholders.

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



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MSCC to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes. The External Investment Manager is also a direct wholly owned subsidiary that has elected to be a taxable entity. The Taxable Subsidiaries 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.

**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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

We seek to fill the financing gap for LMM businesses, which, historically, have had 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.

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

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

Our other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for our LMM, Middle Market or Private Loan portfolio investments, including investments which may be managed by third parties. In our Other Portfolio, we may incur

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

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2016 and 2015 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of December 31, 2016 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 73                      | 78            | 46           |
| Fair value   | \$ 892.6                | \$ 630.6      | \$ 342.9     |
| Cost   | \$ 760.3                | \$ 646.8      | \$ 357.7     |
| % of portfolio at cost debt                                  | 69.1%                   | 97.2%         | 93.5%        |
| % of portfolio at cost equity                                | 30.9%                   | 2.8%          | 6.5%         |
| % of debt investments at cost secured by first priority lien | 92.1%                   | 89.1%         | 89.0%        |
| Weighted-average annual effective yield(b)                   | 12.5%                   | 8.5%          | 9.6%         |
| Average EBITDA(c)  | \$ 5.9                  | \$ 98.6       | \$ 22.7      |

(a) At December 31, 2016, we had equity ownership in approximately 99% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 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, 2016, 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, one Middle Market portfolio

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company and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies.

|  | <b>As of December 31, 2015</b> |                      |                     |
|--|--------------------------------|----------------------|---------------------|
|  | <b>LMM(a)</b>                  | <b>Middle Market</b> | <b>Private Loan</b> |
|  | <b>(dollars in millions)</b>   |                      |                     |
| 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.

As of December 31, 2016, we had Other Portfolio investments in ten companies, collectively totaling approximately \$100.3 million in fair value and approximately \$107.1 million in cost basis and which comprised approximately 5.0% of our Investment Portfolio (as defined in "Critical Accounting Policies Basis of Presentation" below) at fair value. 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 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, 2016, there was no cost basis in this investment and the investment had a fair value of approximately \$30.6 million, which comprised approximately 1.5% of our Investment Portfolio at fair value. As of December 31, 2015, there was no cost basis in this investment and the investment had a fair value of approximately \$27.3 million, which comprised approximately 1.5% 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.

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

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the years ended December 31, 2016 and 2015, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.5% and 1.4%, respectively.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. 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. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the years ended December 31, 2016, 2015 and 2014, the External Investment Manager earned \$9.5 million, \$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. However, both we and the External Investment Manager have policies and procedures in place to manage this conflict.

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**CRITICAL ACCOUNTING POLICIES**

***Basis of Presentation***

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, 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, 2016, 2015 and 2014 and financial position as of December 31, 2016 and 2015, are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("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. 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 both December 31, 2016 and 2015, our Investment Portfolio valued at fair value represented approximately 96% of our total assets. We are required to report our investments at fair value. We follow the provisions of 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 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

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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 with 1940 Act requirements. We believe our Investment Portfolio as of December 31, 2016 and 2015 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 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, 2016, 2015 and 2014, (i) approximately 3.6%, 2.2% and 3.3% respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.2%, 1.0%, 1.3%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

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***Share-Based Compensation***

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

***Income Taxes***

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

The Taxable Subsidiaries primarily hold certain portfolio investments for us. The Taxable Subsidiaries permit us to hold equity investments in portfolio companies which are "pass-through" entities for tax purposes and to continue to comply with the "source-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.

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

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

**INVESTMENT PORTFOLIO COMPOSITION**

Our LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Our LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and our LMM

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

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

Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income. Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began allocating costs to the External Investment Manager pursuant to the sharing agreement. Our total expenses for the years ended December 31, 2016, 2015 and 2014 are net of expenses allocated to the External Investment Manager of \$5.1 million, \$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 allocated to the External Investment Manager and dividend income from the External Investment Manager. For the years ended December 31, 2016, 2015 and 2014, the total contribution to our net investment income was \$7.9 million, \$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 investments and Private Loan portfolio investments as of December 31, 2016



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and 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------|------------------------------|------------------------------|
| First lien debt  | 76.1%                        | 75.8%                        |
| Equity           | 14.5%                        | 13.5%                        |
| Second lien debt | 7.7%                         | 8.7%                         |
| Equity warrants  | 1.1%                         | 0.9%                         |
| Other            | 0.6%                         | 1.1%                         |
|                  | 100.0%                       | 100.0%                       |

| <b>Fair Value:</b> | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--------------------|------------------------------|------------------------------|
| First lien debt    | 68.7%                        | 66.1%                        |
| Equity             | 22.6%                        | 24.9%                        |
| Second lien debt   | 7.2%                         | 7.7%                         |
| Equity warrants    | 0.9%                         | 0.6%                         |
| Other              | 0.6%                         | 0.7%                         |
|                    | 100.0%                       | 100.0%                       |

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

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All new LMM portfolio investments receive an initial Investment Rating of 3.

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, 2016 and 2015:

| Investment Rating      | As of December 31, 2016   |                               | As of December 31, 2015   |                               |
|------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
|                        | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| (dollars in thousands) |                           |                               |                           |                               |
| 1                      | \$ 253,420                | 28.4%                         | \$ 332,606                | 38.6%                         |
| 2                      | 258,085                   | 28.9%                         | 143,268                   | 16.6%                         |
| 3                      | 294,807                   | 33.0%                         | 277,160                   | 32.1%                         |
| 4                      | 75,433                    | 8.5%                          | 107,926                   | 12.5%                         |
| 5                      | 10,847                    | 1.2%                          | 1,750                     | 0.2%                          |
| Total                  | \$ 892,592                | 100.0%                        | \$ 862,710                | 100.0%                        |

Based upon our investment rating system, the weighted-average rating of our LMM portfolio was approximately 2.3 and 2.2 as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, our total Investment Portfolio had four investments on non-accrual status, which comprised approximately 0.6% of its fair value and 3.0% of its cost. 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.

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

Table of Contents**DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS***Comparison of the year ended December 31, 2016 and 2015*

|  | Twelve Months Ended<br>December 31, |            | Net Change |     |
|--|-------------------------------------|------------|------------|-----|
|  | 2016                                | 2015       | Amount     | %   |
|  | (dollars in thousands)              |            |            |     |
| Total investment income  | \$ 178,339                          | \$ 164,589 | \$ 13,750  | 8%  |
| Total expenses   | (62,537)                            | (57,515)   | (5,022)    | 9%  |
| Net investment income  | 115,802                             | 107,074    | 8,728      | 8%  |
| Net realized gain (loss) from investments                      | 29,389                              | (21,316)   | 50,705     |     |
| Net change in net unrealized appreciation (depreciation) from: |                                     |            |            |     |
| Portfolio investments  | (8,305)                             | 11,048     | (19,353)   |     |
| SBIC debentures and marketable securities and idle funds       | 786                                 | (1,056)    | 1,842      |     |
| Total net change in net unrealized appreciation (depreciation) | (7,519)                             | 9,992      | (17,511)   |     |
| Income tax benefit   | 1,227                               | 8,687      | (7,460)    |     |
| Net increase in net assets resulting from operations           | \$ 138,899                          | \$ 104,437 | \$ 34,462  | 33% |

|  | Twelve Months Ended<br>December 31,              |            | Net Change |     |
|--|--|------------|------------|-----|
|  | 2016   | 2015       | Amount     | %   |
|  | (dollars in thousands, except per share amounts) |            |            |     |
| Net investment income  | \$ 115,802                                       | \$ 107,074 | \$ 8,728   | 8%  |
| Share-based compensation expense                                   | 8,304  | 6,262      | 2,042      | 33% |
| Distributable net investment income(a)                             | \$ 124,106                                       | \$ 113,336 | \$ 10,770  | 10% |
| Net investment income per share Basic and diluted                  | \$ 2.23  | \$ 2.18    | \$ 0.05    | 2%  |
| Distributable net investment income per share Basic and diluted(a) | \$ 2.39  | \$ 2.31    | \$ 0.08    | 3%  |

(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

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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, 2016, total investment income was \$178.3 million, an 8% increase over the \$164.6 million of total investment income for the corresponding period of 2015. This comparable period increase was principally attributable to (i) a \$7.4 million increase in interest income primarily related to higher average levels of portfolio debt investments and (ii) a \$7.9 million increase

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in dividend income from Investment Portfolio equity investments, partially offset by (i) a \$0.7 million decrease in fee income and (ii) a \$0.8 million decrease in investment income from Marketable securities and idle funds investments. The \$13.8 million increase in total investment income in the year ended December 31, 2016 includes an increase of \$1.7 million related to dividend income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring during the period when compared to the same period in 2015, partially offset by a decrease of \$0.4 million primarily related to lower accelerated prepayment and repricing activity for certain Investment Portfolio debt investments when compared to the same period in 2015.

*Expenses*

For the year ended December 31, 2016, total expenses increased to \$62.5 million from \$57.5 million for the corresponding period of 2015. This comparable period increase in operating expenses was principally attributable to (i) a \$2.0 million increase in share-based compensation expense, (ii) a \$1.6 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals, (iii) a \$1.5 million increase in interest expense, primarily due to an increase in interest expense on the Credit Facility due to the higher average interest rate and balance outstanding in the year ended December 31, 2016 and (iv) a \$0.7 million increase in general and administrative expenses, with these increases partially offset by a \$0.8 million increase in the expenses allocated to the External Investment Manager, in each case when compared to the same period in the prior year. For the year ended December 31, 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.5% compared to 1.4% for the year ended December 31, 2015.

*Net Investment Income*

Net investment income for the year ended December 31, 2016 was \$115.8 million, or an 8% increase, compared to net investment income of \$107.1 million for the corresponding period of 2015. 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.

*Distributable Net Investment Income*

For the year ended December 31, 2016, distributable net investment income increased 10% to \$124.1 million, or \$2.39 per share, compared with \$113.3 million, or \$2.31 per share, in the corresponding period of 2015. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses both as discussed above. Distributable net investment income on a per share basis for the year ended December 31, 2016 reflects an increase of approximately \$0.03 per share from the comparable period in 2015 attributable to the increase in dividend income that is considered to be less consistent on a recurring basis or non-recurring, partially offset by (i) a decrease of approximately \$0.01 per share from the comparable period in 2015 attributable to the net decrease in the comparable levels of accelerated prepayment, repricing and other activity for certain Investment Portfolio debt investments and (ii) a greater number of average shares outstanding compared to the corresponding period in 2015 primarily due to the March 2015 equity offering, shares issued through the ATM Program (as defined in "Liquidity and Capital Resources - Capital Resources" below) and shares issued pursuant to our restricted stock plan and dividend reinvestment plan.

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the year ended December 31, 2016 was \$138.9 million, or \$2.67 per share, compared with \$104.4 million, or \$2.13 per share, during the year ended December 31, 2015. This \$34.5 million increase from the same period in the prior year

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period was primarily the result of (i) a \$50.7 million increase in the net realized gain (loss) from investments from a net realized loss of \$21.3 million during the year ended December 31, 2015 to a net realized gain of \$29.4 million for the year ended December 31, 2016 and (ii) an \$8.7 million increase in net investment income as discussed above, partially offset by (i) a \$17.5 million decrease in net change in unrealized appreciation (depreciation), including accounting reversals relating to the realized gains (losses), from net unrealized appreciation of \$10.0 million for the year ended December 31, 2015 to net unrealized depreciation of \$7.5 million for the year ended December 31, 2016 and (ii) a \$7.5 million decrease in the income tax benefit from the same period in the prior year. The net realized gain of \$29.4 million for the year ended December 31, 2016 was primarily the result of (i) the net realized gain of \$57.5 million on the exit five LMM investments and (ii) the net realized gain of \$4.2 million due to activity in our Other Portfolio, partially offset by (i) the realized loss of \$9.6 million on the exit of three Private Loan investments, (ii) the realized loss of \$17.0 million related to the restructuring of five Middle Market investments, (iii) the net realized loss of \$4.7 million on the exit of two Middle Market investments and (iv) the realized loss of \$1.6 million on the exit of a Marketable securities and idle funds investment.

The following table provides a summary of the total net unrealized depreciation of \$7.5 million for the year ended December 31, 2016:

|  | Twelve Months Ended December 31, 2016 |                  |                 |          |           | Total |
|--|---------------------------------------|------------------|-----------------|----------|-----------|-------|
|  | LMM(a)                                | Middle<br>Market | Private<br>Loan | Other(b) |           |       |
|  | (dollars in millions)                 |                  |                 |          |           |       |
| Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains)/losses recognized during period | \$ (53.1)                             | \$ 25.7          | \$ 9.5          | \$ (3.5) | \$ (21.4) |       |
| Net change in unrealized appreciation (depreciation) relating to portfolio investments   | 8.2                                   | 8.4              | (4.0)           | 0.5      | 13.1      |       |
| Total net change in unrealized appreciation (depreciation) relating to portfolio investments   | \$ (44.9)                             | \$ 34.1          | \$ 5.5          | \$ (3.0) | \$ (8.3)  |       |
| Net change in unrealized appreciation relating to marketable securities  |                                       |                  |                 |          | 1.7       |       |
| Unrealized depreciation relating to SBIC debentures(c)   |                                       |                  |                 |          | (0.9)     |       |
| Total net change in unrealized appreciation (depreciation)   |                                       |                  |                 |          | \$ (7.5)  |       |

(a) LMM includes unrealized appreciation on 31 LMM portfolio investments and unrealized depreciation on 27 LMM portfolio investments.

(b) Other includes \$3.3 million of unrealized appreciation relating to the External Investment Manager offset by \$2.8 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, 2016 of \$1.2 million principally consisted of a deferred tax benefit of \$3.3 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences, partially offset by other current tax expense related to (i) a \$1.7 million accrual for excise tax on our estimated undistributed taxable income and (ii) other current tax expense of \$0.4 million related to accruals for U.S. federal and state income taxes.

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

|  | Twelve Months Ended<br>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%  |

|  | Twelve Months Ended<br>December 31,              |           | Net Change |      |
|--|--|-----------|------------|------|
|  | 2015   | 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%  |
| Net investment income per share Basic and diluted                  | \$ 2.18  | \$ 2.20   | \$ (0.02)  | (1)% |
| 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

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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%.

*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" 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), including accounting reversals relating

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to the realized gains (losses), 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.

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)      |           |             |
| (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>\$</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>\$</b> | <b>10.0</b> |

(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.

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*Liquidity and Capital Resources*

*Cash Flows*

For the year ended December 31, 2016, we experienced a net increase in cash and cash equivalents in the amount of approximately \$4.1 million, which is the result of approximately \$42.7 million of cash used by our operating activities and approximately \$46.9 million of cash provided by financing activities.

During the period, we used \$42.7 million of cash from our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling \$107.8 million, which is our \$124.1 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$10.2 million, payment-in-kind interest income of \$6.5 million, cumulative dividends of \$2.2 million and the amortization expense for deferred financing costs of \$2.6 million, (ii) cash uses totaling \$641.7 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, 2015, which collectively total \$641.2 million, and (b) \$0.5 million from the purchase of Marketable securities and idle funds investments and (iii) cash proceeds totaling \$491.2 million from (a) \$486.2 million in cash proceeds from the sales and repayments of debt investments and sales of and return on capital of equity investments and (b) \$4.3 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) \$0.7 million related to increases in payables and accruals.

During the year ended December 31, 2016, \$46.9 million in cash was provided by financing activities, which principally consisted of (i) \$112.0 million in net cash proceeds from the ATM Program (described below), (ii) \$52.0 million in net cash proceeds from the Credit Facility and (iii) \$15.0 million in cash proceeds from issuance of SBIC debentures, partially offset by (i) \$127.5 million in cash dividends paid to stockholders, (ii) \$2.6 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock and (iii) \$2.0 million for payment of deferred loan costs, SBIC debenture fees and other costs.

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.

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 (described below) 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.

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As of December 31, 2016, we had \$24.5 million in cash and cash equivalents and \$212.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of December 31, 2016, our net asset value totaled \$1,201.5 million, or \$22.10 per share.

The Credit Facility, which provides additional liquidity to support our investment and operational activities, provides for commitments of \$555.0 million from a diversified group of fourteen lenders. The Credit Facility was amended during 2016 to extend the maturity one year to September 2021. The Credit Facility also contains an accordion feature which allows us to increase the total commitments under the facility to up to \$750.0 million 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 (0.77% as of December 31, 2016) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.75% as of December 31, 2016) 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 2021, 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, 2016, we had \$343.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.5% 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 allowed us to issue additional SBIC debentures, subject to SBA approval, above the \$225.0 million that we had outstanding prior to the legislation. In August 2016, we received a license from the SBA to form and operate a third SBIC, which at the time provided us with access up to an additional \$125.0 million of long-term, fixed interest rate debt capital through the issuance of SBA-guaranteed debentures. During the year ended December 31, 2016, we have issued \$15.0 million of SBIC debentures, leaving \$110.0 million of remaining capacity under our SBIC licenses. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semiannually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. On December 31, 2016, through our three wholly owned SBICs, we had \$240.0 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted-average annual fixed interest rate of approximately 4.1%, paid semiannually, and mature ten years from issuance. The first maturity related to our SBIC debentures occurs in 2017, and the weighted-average remaining duration is approximately 4.9 years as of December 31, 2016.

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In April 2013, we issued \$92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes (the "6.125% Notes"). The 6.125% Notes 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 accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2016, 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 (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 semiannually 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, 2016, 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

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additional shares and after deducting underwriting discounts and estimated offering expenses payable by us, of approximately \$127.8 million.

During November 2015, we commenced a program with certain selling agents through which we can sell shares of our common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the year ended December 31, 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 selling agents on shares sold and offering costs.

During the year ended December 31, 2016, we sold 3,324,646 shares of our common stock at a weighted-average price of \$34.17 per share and raised \$113.6 million of gross proceeds under the ATM Program. Net proceeds were \$112.0 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2016, sales transactions representing 42,413 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet, but are included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate our net asset value per share. As of December 31, 2016, 1,534,786 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 issuances of debt and equity capital. Our primary uses of funds will be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

We periodically invest excess cash balances into Marketable securities and idle funds investments. The primary investment objective of Marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of deposit with financial institutions, diversified bond funds and publicly traded debt and equity investments. 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 2016 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 since 2011. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders, after consideration and application of our ability under the Code to carry forward certain excess undistributed taxable income from one tax year into the next tax year, substantially all of our taxable income. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. 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.

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

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

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under ASC 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. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarified the implementation guidance regarding performance obligations and licensing arrangements. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients*, which clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. 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 expect to identify similar performance obligations under ASC 606 as compared with deliverables and separate units of account previously identified. As a result, we expect timing of our revenue recognition to remain the same.

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 Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on our consolidated financial statements as none of our investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right of use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash



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flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. While we continue to assess the effect of adoption, we currently believe the most significant change relates to the recognition of a new right-of-use asset and lease liability on our consolidated balance sheet for our office space operating lease. We currently have one operating lease for office space and do not expect a significant change in our leasing activity between now and adoption. See further discussion of our operating lease obligation in "Note N Commitments and Contingences" in the notes to the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in "Note B.8. Summary of Significant Accounting Policies - Share-based Compensation" in the notes to consolidated financial statements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on our consolidated financial statements is not expected to be material.

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 consolidated 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 fund equity capital and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At December 31, 2016, we had a total of \$120.2 million in outstanding commitments comprised of (i) 28 investments with commitments to fund revolving loans that had not been fully drawn or term loans with additional commitments not yet funded and (ii) eight investments with equity capital commitments that had not been fully called.

Table of Contents**Contractual Obligations**

As of December 31, 2016, the future fixed commitments for cash payments in connection with our SBIC debentures, the 4.50% Notes, the 6.125% Notes and rent obligations under our office lease for each of the next five years and thereafter are as follows:

|                                    | 2017      | 2018      | 2019       | 2020      | 2021      | Thereafter | Total      |
|------------------------------------|-----------|-----------|------------|-----------|-----------|------------|------------|
| SBIC debentures                    | \$ 15,000 | \$ 10,200 | \$ 20,000  | \$ 55,000 | \$ 40,000 | \$ 99,800  | \$ 240,000 |
| Interest due on SBIC debentures(1) | 9,757     | 8,538     | 8,216      | 7,018     | 4,472     | 9,176      | 47,177     |
| Notes 6.125%                       |           |           |            |           |           | 90,655     | 90,655     |
| Interest due on 6.125% Notes       | 5,553     | 5,553     | 5,553      | 5,553     | 5,553     | 6,939      | 34,704     |
| 4.50% Notes                        |           |           | 175,000    |           |           |            | 175,000    |
| Interest due on 4.50% Notes        | 7,875     | 7,875     | 7,875      |           |           |            | 23,625     |
| Operating Lease Obligation(2)      | 185       | 683       | 749        | 763       | 777       | 4,959      | 8,116      |
| Total                              | \$ 38,370 | \$ 32,849 | \$ 217,393 | \$ 68,334 | \$ 50,802 | \$ 211,529 | \$ 619,277 |

(1)

The interest due on the \$15.0 million of SBIC debentures drawn in 2016 does not have a final rate that has been fixed by the SBA as of December 31, 2016. In March 2017, the final rate for these SBIC debentures will be determined and, thereafter, the rate will be fixed for the ensuing 10 years. For this \$15.0 million of the SBIC debentures, the table above assumes a ten year fixed rate from March 2017 to maturity based on the most recent fixed rate charged by the SBA. The rates and related future interest payments for these debentures will be adjusted once the final rate is determined.

(2)

Operating Lease Obligation means a rent payment obligation under a lease classified as an operating lease and disclosed pursuant to FASB ASC 840, as may be modified or supplemented.

As of December 31, 2016, we had \$343.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2021. The Credit Facility contains two, one-year extension options which could extend the maturity to September 2023, subject to lender approval. 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, 2016, we had a receivable of approximately \$2.4 million due from the External Investment Manager which included approximately \$1.6 million primarily related to operating expenses incurred by us 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 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 Deferred Compensation Plan for Non-Employee Directors previously adopted by the Board of Directors in June 2013 (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 and directors' fees, 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



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phantom Main Street stock units. As of December 31, 2016, \$2.0 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,866 shares of our common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of December 31, 2016 represented 64,839 shares of our common stock. Any amounts deferred under the plan represented by phantom stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but are included in operating expenses and weighted-average shares outstanding in our consolidated statement of operations as earned.

**SENIOR SECURITIES**

Information about our senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted. Grant Thornton LLP's report on the senior securities table as of December 31, 2016, is an exhibit to the registration statement of which this prospectus is a part.

| Class and Year                | Total Amount Outstanding Exclusive of Treasury Securities(1)<br>(dollars<br>in thousands) | Asset Coverage per Unit(2) | Involuntary Liquidating Preference per Unit(3) | Average Market Value per Unit(4) |
|-------------------------------|---|----------------------------|--|----------------------------------|
| <b><i>SBIC Debentures</i></b> |   |                            |  |                                  |
| 2007                          | \$ 55,000   | 3,094                      |  | N/A                              |
| 2008                          | 55,000  | 3,043                      |  | N/A                              |
| 2009                          | 65,000  | 2,995                      |  | N/A                              |
| 2010                          | 180,000   | 2,030                      |  | N/A                              |
| 2011                          | 220,000   | 2,202                      |  | N/A                              |
| 2012                          | 225,000   | 2,763                      |  | N/A                              |
| 2013                          | 200,200   | 2,476                      |  | N/A                              |
| 2014                          | 225,000   | 2,323                      |  | N/A                              |
| 2015                          | 225,000   | 2,368                      |  | N/A                              |
| 2016                          | 240,000   | 2,415                      |  | N/A                              |
| <b><i>Credit Facility</i></b> |   |                            |  |                                  |
| 2010                          | \$ 39,000   | 2,030                      |  | N/A                              |
| 2011                          | 107,000   | 2,202                      |  | N/A                              |
| 2012                          | 132,000   | 2,763                      |  | N/A                              |
| 2013                          | 237,000   | 2,476                      |  | N/A                              |
| 2014                          | 218,000   | 2,323                      |  | N/A                              |
| 2015                          | 291,000   | 2,368                      |  | N/A                              |
| 2016                          | 343,000   | 2,415                      |  | N/A                              |
| <b><i>6.125% Notes</i></b>    |   |                            |  |                                  |
| 2013                          | \$ 90,882   | 2,476                      |  | \$ 24.35                         |
| 2014                          | 90,823  | 2,323                      |  | 24.78                            |
| 2015                          | 90,738  | 2,368                      |  | 25.40                            |
| 2016                          | 90,655  | 2,415                      |  | 25.76                            |
| <b><i>4.50% Notes</i></b>     |   |                            |  |                                  |
| 2014                          | \$ 175,000  | 2,323                      |  | N/A                              |
| 2015                          | 175,000   | 2,368                      |  | N/A                              |
| 2016                          | 175,000   | 2,415                      |  | N/A                              |

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

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- (2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The " " indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.
- (4) Average market value per unit for our 6.125% Notes represents the average of the daily closing prices as reported on the NYSE during the period presented. Average market value per unit for our SBIC Debentures, Credit Facility and 4.50% Notes are not applicable because these are not registered for public trading.

**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"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). Because MSCC is internally managed, all of the executive officers and other employees are employed by MSCC. Therefore, MSCC does not pay any external investment advisory fees, but instead directly incurs the operating costs associated with employing investment and portfolio management professionals.

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and 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 taxable income or capital gains that it distributes to its stockholders.

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

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.

**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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis. Private Loan investments are typically similar in size, structure, terms and conditions to investments we hold in our LMM portfolio and Middle Market portfolio.

We seek to fill the financing gap for LMM businesses, which, historically, have had 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

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investments. Our LMM portfolio debt investments are generally secured by a first lien on the assets of the portfolio company and typically have a term of between five and seven years from the original investment date.

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

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

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

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

Our portfolio investments are generally made through MSCC and the Funds. MSCC and the Funds share the same investment strategies and criteria, although they are subject to different regulatory regimes (see "Regulation"). 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

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management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio.

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

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

**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



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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 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.

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*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 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,

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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 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 our debt investments, we occasionally receive equity warrants to establish or increase our equity interest in the portfolio company. Warrants we receive in connection with a debt investment typically require only a nominal cost to exercise, and thus, as a 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 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 our LMM portfolio companies. 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

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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 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.

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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 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:

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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.

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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:

company history and overview;

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

analysis of key customers and suppliers and key contracts;

a working capital analysis;

an analysis of the company's business strategy;

a management and key equity investor background check and assessment;

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

investment structure and expected returns;

anticipated sources of repayment and potential exit strategies;

pro forma capitalization and ownership;

an analysis of historical financial results and key financial ratios;

sensitivities to management's financial projections;

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:

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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;

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



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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 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 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

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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 Accounting Standards Codification ("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.

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 LMM and Private Loan 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;

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A nationally recognized independent financial advisory services firm analyzes and provides observations, recommendations and an assurance certification regarding the Company's determinations of the fair value for its LMM and Private Loan portfolio companies;

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

**Employees**

As of December 31, 2016, we had 57 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.

**Properties**

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

**Legal Proceedings**

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may 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.

Table of Contents**PORTFOLIO COMPANIES**

The following table sets forth certain unaudited information as of December 31, 2016 (dollars in thousands), for the portfolio companies in which we had a debt or equity investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance ancillary to our investments and the board observer or participation rights we may receive. As of December 31, 2016, none of our portfolio company investments constituted five percent or more of our total assets. The following table excludes our investments in marketable securities and idle funds investments.

| Portfolio Company(1)   | Business Description                           | Type of Investment(2)(3)   | Percent of Class |  | Principal(4) | Cost(4)   | Fair Value |
|--|--|--|------------------|--|--------------|-----------|------------|
|  |  |  | Held(19)         |  |              |           |            |
| <b>Control Investments(5)</b>  |  |  |                  |  |              |           |            |
| <b>Access Media Holdings, LLC(10)</b><br>900 Commerce Drive,<br>Suite 200<br>Oak Brook, IL 60523 | Private Cable Operator                         | 5% Current / 5% PIK Secured Debt (Maturity July 22, 2020)<br>Preferred Member Units (6,581,250 units; 12% cumulative)(20)<br>Member Units (45 units)                                 | 45.0%<br>0.0%    |  | \$ 22,664    | \$ 22,664 | \$ 19,700  |
|  |  |  |                  |  |              | 6,475     | 240        |
|  |  |  |                  |  |              | 1         |            |
|  |  |  |                  |  |              | 29,140    | 19,940     |
| <b>Ameritech College Operations, LLC</b><br>12257 Business Park Dr, Ste. 108<br>Draper, UT 84020 | For-Profit Nursing and Healthcare College      | 10% Secured Debt (Maturity November 30, 2019)<br>13% Secured Debt (Maturity November 30, 2019)<br>13% Secured Debt (Maturity January 31, 2020)<br>Preferred Member Units (294 units) | 44.5%            |  | 514          | 514       | 514        |
|  |  |  |                  |  | 489          | 489       | 489        |
|  |  |  |                  |  | 3,025        | 3,025     | 3,025      |
|  |  |  |                  |  |              | 2,291     | 2,291      |
|  |  |  |                  |  |              | 6,319     | 6,319      |
| <b>ASC Interests, LLC</b><br>16500 Westheimer Parkway<br>Houston, TX 77082                       | Recreational and Educational Shooting Facility | 11% Secured Debt (Maturity July 31, 2018)<br>Member Units (1,500 units)(8)   | 48.4%            |  | 2,100        | 2,084     | 2,100      |
|  |  |  |                  |  |              | 1,500     | 2,680      |
|  |  |  |                  |  |              | 3,584     | 4,780      |
| <b>Bond-Coat, Inc.</b><br>11901 West CR 125<br>Odessa, TX 79765                                  | Casing and Tubing Coating Services             | 12% Secured Debt (Maturity December 28, 2017)<br>Common Stock (57,508 shares)  | 43.8%            |  | 11,596       | 11,556    | 11,596     |
|  |  |  |                  |  |              | 6,350     | 6,660      |
|  |  |  |                  |  |              | 17,906    | 18,256     |

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|  |   |                               |       |       |        |
|--|---|-------------------------------|-------|-------|--------|
| <b>Café Brazil, LLC</b><br>202 West Main Street, Ste. 100<br>Allen, TX 75013 | Casual Restaurant<br>Group                                | Member Units (1,233 units)(8) | 69.0% | 1,742 | 6,040  |
| <b>CBT Nuggets, LLC</b><br>44 Club Rd., Ste. 150<br>Eugene, OR 97401         | Produces and Sells<br>IT Training<br>Certification Videos | Member Units (416 units)(8)   | 41.6% | 1,300 | 55,480 |

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|---|---------------------------|--------------|---------|------------|
| <b>Clad-Rex Steel, LLC</b><br>11500 W. King Street<br>Franklin Park, IL 60131      | Specialty<br>Manufacturer of<br>Vinyl-Clad Metal              | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2018)(9) |                           | 400          | 396     | 396        |
|  |   | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2021)(9) |                           | 14,080       | 13,941  | 13,941     |
|  |   | Member Units (717 units)  | 71.7%                     |              | 7,280   | 7,280      |
|  |   | 10% Secured Debt (Clad-Rex Steel RE Investor, LLC) (Maturity December 20, 2036)                     |                           | 1,202        | 1,190   | 1,190      |
|  |   | Member Units (Clad-Rex Steel RE Investor, LLC) (800 units)  | 80.0%                     |              | 210     | 210        |
|  |   |   |                           |              |         | 23,017     |
| <b>CMS Minerals Investments</b><br>3040 Stout Street<br>Denver, CO 80205           | Oil & Gas<br>Exploration &<br>Production                      | Preferred Member Units (CMS Minerals LLC) (458 units)(8)  | 45.8%                     |              | 2,104   | 3,682      |
|  |   | Member Units (CMS Minerals II, LLC) (100 units)(8)  | 100.0%                    |              | 3,829   | 3,381      |
|  |   |   |                           |              | 5,933   | 7,063      |
| <b>Datacom, LLC</b><br>100 Enterprise Boulevard<br>Lafayette, LA 70506             | Technology and<br>Telecommunications<br>Provider              | 8% Secured Debt (Maturity May 30, 2017)   |                           | 900          | 900     | 900        |
|  |   | 5.25% Current / 5.25% PIK Secured Debt (Maturity May 30, 2019)                                      |                           | 11,713       | 11,651  | 11,049     |
|  |   | Class A Preferred Member Units (15% cumulative)(20)   | 37.6%                     |              | 1,181   | 1,368      |
|  |   | Class B Preferred Member Units (6,453 units)  | 37.6%                     |              | 6,030   | 1,529      |
|  |   |   |                           |              | 19,762  | 14,846     |
| <b>Gamber-Johnson Holdings, LLC</b><br>3001 Borham Ave.<br>Stevens Point, WI 54481 | Manufacturer of<br>Ruggedized<br>Computer Mounting<br>Systems | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity June 24, 2021)(9)    |                           | 24,080       | 23,846  | 23,846     |
|  |   | Member Units (8,619 units)  | 73.8%                     |              | 14,844  | 18,920     |
|  |   |   |                           |              | 38,690  | 42,766     |
| <b>Garreco, LLC</b><br>430 Hiram Rd.   | Manufacturer and<br>Supplier of Dental                        |   |                           |              |         |            |

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Heber Springs, AR 72543

Products

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| 14% Secured Debt (Maturity<br>January 12, 2018) |       | 5,250 | 5,219 | 5,219 |
| Member Units (1,200 units)                      | 32.0% |       | 1,200 | 1,150 |
|   |       |       | 6,419 | 6,369 |

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|---|---|---------------------------|--------------|---------|------------|
| <b>GRT Rubber Technologies LLC</b><br>201 Dana Dr.<br>Paragould, AR 72450                       | Manufacturer of Engineered Rubber Products                      | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity December 19, 2019)(9) |                           | 13,274       | 13,188  | 13,274     |
|   |   | Member Units (5,879 units)(8)   | 60.0%                     |              | 13,065  | 20,310     |
|   |   |   |                           |              | 26,253  | 33,584     |
| <b>Gulf Manufacturing, LLC</b><br>1221 Indiana St.<br>Humble, TX 77396                          | 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)   | 35.9%                     |              | 2,980   | 8,770      |
|   |   |   |                           |              | 3,757   | 9,547      |
| <b>Gulf Publishing Holdings, LLC</b><br>2 Greenway Plaza, Suite 1020<br>Houston, TX 77046       | Energy Industry Focused Media and Publishing                    | 12.5% Secured Debt (Maturity April 29, 2021)  |                           | 10,000       | 9,911   | 9,911      |
|   |   | Member Units (3,124 units)  | 32.1%                     |              | 3,124   | 3,124      |
|   |   |   |                           |              | 13,035  | 13,035     |
| <b>Harrison Hydra-Gen, Ltd.</b><br>10827 Tower Oaks Blvd.<br>Houston, TX 77070                  | Manufacturer of Hydraulic Generators                            | Common Stock (107,456 shares)(8)  | 33.6%                     |              | 718     | 3,120      |
|   |   |   |                           |              |         |            |
| <b>Hawthorne Customs and Dispatch Services, LLC</b><br>9370 Wallisville Rd<br>Houston, TX 77013 | Facilitator of Import Logistics, Brokerage, and Warehousing     | Member Units (500 units)  | 47.6%                     |              | 589     | 280        |
|   |   | Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)                                      | 59.2%                     |              | 1,215   | 2,040      |
|   |   |   |                           |              | 1,804   | 2,320      |
| <b>HW Temps LLC</b><br>32 Norfolk Ave<br>South Easton, MA 02375                                 | Temporary Staffing Solutions                                    | LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 14.00%, Secured Debt (Maturity July 2, 2020)(9)     |                           | 10,576       | 10,500  | 10,500     |
|   |   | Preferred Member Units (3,200 units)(8)   | 32.0%                     |              | 3,942   | 3,940      |



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14,442 14,440

|   |   |                                   |       |       |        |
|---|---|-----------------------------------|-------|-------|--------|
| <b>Hydratec, Inc.</b><br><b>325 Road 192</b><br><b>Delano, CA 93215</b> | Designer and<br>Installer of<br>Micro-Irrigation<br>Systems | Common Stock (7,095<br>shares)(8) | 95.9% | 7,095 | 15,640 |
|---|---|-----------------------------------|-------|-------|--------|

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| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|--|---|---------------------------|--------------|---------|------------|
| <b>IDX Broker, LLC</b><br>1551 Pearl Street<br>Eugene, OR 97401                         | Provider of Marketing and CRM Tools for the Real Estate Industry | 12.5% Secured Debt (Maturity November 15, 2018)   |                           | 10,950       | 10,904  | 10,950     |
|   |  | Member Units (5,400 units)(8)   | 64.0%                     |              | 5,606   | 7,040      |
|   |  |   |                           |              |         | 16,510     |
| <b>Indianapolis Aviation Partners, LLC</b><br>8501 Telephone Road<br>Houston, TX 77061  | Fixed Base Operator  | 15% Secured Debt (Maturity January 15, 2017)  |                           | 3,100        | 3,100   | 3,100      |
|   |  | Warrants (1,046 equivalent units)   | 30.1%                     |              | 1,129   | 2,649      |
|   |  |   |                           |              |         | 4,229      |
| <b>Jensen Jewelers of Idaho, LLC</b><br>130 Second Avenue North<br>Twin Falls, ID 83301 | Retail Jewelry Store   | Prime Plus 6.75% (Floor 2.00%), Current Coupon 10.25%, Secured Debt (Maturity November 14, 2019)(9) |                           | 4,055        | 3,996   | 4,055      |
|   |  | Member Units (627 units)(8)   | 61.4%                     |              | 811     | 4,460      |
|   |  |   |                           |              |         | 4,807      |
| <b>Lamb Ventures, LLC</b><br>11675 Jollyville Rd., Ste. 300<br>Austin, TX 78759         | Aftermarket Automotive Services Chain                            | 11% Secured Debt (Maturity May 31, 2018)  |                           | 7,657        | 7,657   | 7,657      |
|   |  | Preferred Equity (non-voting)(20)   | 100.0%                    |              | 400     | 400        |
|   |  | Member Units (742 units)(8)   | 68.4%                     |              | 5,273   | 5,990      |
|   |  | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity December 31, 2041)               |                           | 1,170        | 1,170   | 1,170      |
|   |  | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                                | 100.0%                    |              | 625     | 1,340      |
|   |  |   |                           | 15,125       | 16,557  |            |
| <b>Lighting Unlimited, LLC</b><br>4125 Richmond Ave<br>Houston, TX 77027                | Commercial and Residential Lighting Products and Design Services | 8% Secured Debt (Maturity August 22, 2017)  |                           | 1,514        | 1,514   | 1,514      |
|   |  | Preferred Equity (non-voting)(20)   | 23.6%                     |              | 434     | 410        |
|   |  | Warrants (71 equivalent units)  | 7.1%                      |              | 54      |            |
|   |  | Member Units (700 units)  | 70.0%                     |              | 100     |            |
|   |  |   |                           |              |         |            |

2,102 1,924

|  |  |   |       |        |       |  |
|--|--|---|-------|--------|-------|--|
| <b>Marine Shelters Holdings, LLC</b><br><b>6800 Harborside Dr.</b><br><b>Galveston, TX 77554</b> | Fabricator of Marine and Industrial Shelters | 12% PIK Secured Debt (Maturity December 28, 2017)(14) | 9,967 | 9,914  | 9,387 |  |
|  |  | Preferred Member Units (3,810 units)                  | 26.7% | 5,352  |       |  |
|  |  |   |       | 15,266 | 9,387 |  |
|  |  |   |       |        |       |  |

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|---|---------------------------|--------------|---------|------------|
| MH Corbin Holding, LLC<br>8355 Rausch Dr.<br>Plain City, OH 43064                    | Manufacturer and Distributor of Traffic Safety Products               | 10% Secured Debt (Maturity August 31, 2020)   |                           | 13,300       | 13,197  | 13,197     |
|  |   | Preferred Member Units (4,000 shares)   | 44.4%                     |              | 6,000   | 6,000      |
|  |   |   |                           |              | 19,197  | 19,197     |
| Mid-Columbia Lumber Products, LLC<br>380 NW Adler St<br>Madras, OR 97741             | 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 (3,554 units)  | 56.6%                     |              | 1,810   | 2,480      |
|  |   | 9.5% Secured Debt (Mid Columbia Real Estate, LLC) (Maturity May 13, 2025)                         |                           | 836          | 836     | 836        |
|  |   | Member Units (Mid Columbia Real Estate, LLC) (250 units)(8)                                       | 50.0%                     |              | 250     | 600        |
|  |   |   |                           | 8,546        | 9,566   |            |
| MSC Adviser I, LLC(16)<br>1300 Post Oak Boulevard,<br>8th Floor<br>Houston, TX 77056 | Third Party Investment Advisory Services                              | Member Units (Fully diluted 100.0%)(8)  | 100.0%                    |              |         | 30,617     |
|  |   |   |                           |              |         |            |
| Mystic Logistics Holdings, LLC<br>2187 NW London Tpk<br>South Glastonbury, CT 06073  | Logistics and Distribution Services Provider for Large Volume Mailers | 12% Secured Debt (Maturity August 15, 2019)   |                           | 9,176        | 9,053   | 9,176      |
|  |   | Common Stock (5,873 shares)   | 63.5%                     |              | 2,720   | 5,780      |
|  |   |   |                           |              | 11,773  | 14,956     |
| NAPCO Precast, LLC<br>6949 Low Bid Lane<br>San Antonio, TX 78250                     | Precast Concrete Manufacturing  | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2019)(9) |                           | 2,713        | 2,693   | 2,713      |
|  |   | 18% Secured Debt (Maturity February 1, 2019)  |                           | 3,952        | 3,922   | 3,952      |
|  |   | Member Units (2,955 units)(8)   | 44.5%                     |              | 2,975   | 10,920     |
|  |   |   |                           |              | 9,590   | 17,585     |
| NRI Clinical Research, LLC<br>2010 Wilshire Blvd                                     | Clinical Research Service Provider                                    |   |                           |              |         |            |

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Los Angeles, CA 90057

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| LIBOR Plus 6.50% (Floor<br>1.50%), Current Coupon 8.00%,<br>Secured Debt (Maturity<br>September 8, 2017)(9) |       | 200   | 200   | 200   |
| 14% Secured Debt (Maturity<br>September 8, 2017)  |       | 4,261 | 4,228 | 4,261 |
| Warrants (251,723 equivalent<br>units)  | 12.0% |       | 252   | 680   |
| Member Units (1,454,167 units)  | 23.9% |       | 765   | 2,462 |
|   |       |       | 5,445 | 7,603 |

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|---|--|---------------------------|--------------|---------|------------|
| <b>NRP Jones, LLC</b><br>210 Philadelphia St<br>LaPorte, IN 46350                           | Manufacturer of Hoses, Fittings and Assemblies                      | 6% Current / 6% PIK Secured Debt (Maturity December 22, 2016)(17)                                  |                           | 13,915       | 13,915  | 13,915     |
|   |   | Warrants (14,331 equivalent units)   | 11.6%                     |              | 817     | 130        |
|   |   | Member Units (50,877 units)  | 41.1%                     |              | 2,900   | 410        |
|   |   |  |                           |              | 17,632  | 14,455     |
| <b>OMi Holdings, Inc.</b><br>1515 E I-30 Service Road<br>Royse City, TX 75189               | Manufacturer of Overhead Cranes                                     | Common Stock (1,500 shares)(8)   | 48.0%                     |              | 1,080   | 13,080     |
| <b>Pegasus Research Group, LLC</b><br>4636 E. University Drive<br>Phoenix, AZ 85034         | Provider of Telemarketing and Data Services                         | Member Units (460 units)(8)  | 43.7%                     |              | 1,290   | 8,620      |
| <b>PPL RVs, Inc.</b><br>10777 Southwest Freeway<br>Houston, TX 77074                        | Recreational Vehicle Dealer   | LIBOR Plus 7.00% (Floor 0.50%), Current Coupon 7.93%, Secured Debt (Maturity November 15, 2021)(9) |                           | 18,000       | 17,826  | 17,826     |
|   |   | Common Stock (1,962 shares)(8)   | 52.2%                     |              | 2,150   | 11,780     |
|   |   |  |                           |              | 19,976  | 29,606     |
| <b>Principle Environmental, LLC</b><br>201 W. Ranch Court<br>Weatherford, TX 76088          | Noise Abatement Service Provider                                    | 12% Secured Debt (Maturity April 30, 2017)   |                           | 4,060        | 4,060   | 4,060      |
|   |   | 12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)  |                           | 3,378        | 3,378   | 3,378      |
|   |   | Preferred Member Units (19,631 units)(20)  | 87.7%                     |              | 4,663   | 5,370      |
|   |   | Warrants (1,036 equivalent units)  | 3.8%                      |              | 1,200   | 270        |
|   |   |  |                           |              | 13,301  | 13,078     |
| <b>Quality Lease Service, LLC</b><br>501 East Kennedy Blvd,<br>Suite 801<br>Tampa, FL 33602 | Provider of Rigsite Accommodation Unit Rentals and Related Services | 8% PIK Secured Debt (Maturity June 8, 2020)  |                           | 7,068        | 7,068   | 7,068      |
|   |   | Member Units (1,000 units)   | 100.0%                    |              | 1,118   | 3,188      |
|   |   |  |                           |              | 8,186   | 10,256     |
| <b>River Aggregates, LLC</b><br>PO Box 8609   | Processor of Construction   |  |                           |              |         |            |

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The Woodlands, TX 77387

Aggregates

|  |       |     |       |       |
|--|-------|-----|-------|-------|
| Zero Coupon Secured Debt<br>(Maturity June 30, 2018) |       | 750 | 627   | 627   |
| Member Units (1,150 units)(8)                        | 38.3% |     | 1,150 | 4,600 |
| Member Units (RA<br>Properties, LLC) (1,500 units)   | 50.0% |     | 369   | 2,510 |
|  |       |     | 2,146 | 7,737 |

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|--|---------------------------|--------------|---------|------------|
| <b>SoftTouch Medical Holdings, LLC</b><br><b>1800 Sandy Plains Ind Pkwy NE #224</b><br><b>Marietta, GA 30066</b> | Provider of In-Home Pediatric Durable Medical Equipment           | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity October 31, 2019)(9) |                           | 7,140        | 7,096   | 7,140      |
|  |   | Member Units (4,450 units)(8)  | 45.9%                     |              | 4,930   | 9,170      |
|  |   |  |                           |              | 12,026  | 16,310     |
| <b>The MPI Group, LLC</b><br><b>319 North Hills Road</b><br><b>Corbin, KY 40701</b>                              | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 2, 2018)   |                           | 2,924        | 2,922   | 2,922      |
|  |   | Series A Preferred Units (2,500 units; 10% Cumulative)(20)   | 100.0%                    |              | 2,500   |            |
|  |   | Warrants (1,424 equivalent units)  | 59.4%                     |              | 1,096   |            |
|  |   | Member Units (MPI Real Estate Holdings, LLC) (100 units)(8)  | 100.0%                    |              | 2,300   | 2,300      |
|  |   |  |                           |              | 8,818   | 5,222      |
| <b>Uvalco Supply, LLC</b><br><b>2521 E. Main St.</b><br><b>Uvalde, TX 78801</b>                                  | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019)   |                           | 872          | 872     | 872        |
|  |   | Member Units (2,011 units)(8)  | 85.6%                     |              | 3,843   | 4,640      |
|  |   |  |                           |              |         | 4,715      |
| <b>Vision Interests, Inc.</b><br><b>6630 Arroyo Springs St., Ste. 600</b><br><b>Las Vegas, NV 89113</b>          | Manufacturer / Installer of Commercial Signage                    | 13% Secured Debt (Maturity December 23, 2018)  |                           | 2,814        | 2,814   | 2,814      |
|  |   | Series A Preferred Stock (3,000,000 shares)(20)  | 100.0%                    |              | 3,000   | 3,000      |
|  |   | Common Stock (1,126,242 shares)  | 19.1%                     |              | 3,706   |            |
|  |   |  |                           |              |         | 9,520      |
| <b>Ziegler's NYPD, LLC</b><br><b>13901 North 73rd St., #219</b><br><b>Scottsdale, AZ 85260</b>                   | Casual Restaurant Group   | 6.5% Secured Debt (Maturity October 1, 2019)   |                           | 1,000        | 994     | 994        |
|  |   | 12% Secured Debt (Maturity October 1, 2019)  |                           | 300          | 300     | 300        |
|  |   | 14% Secured Debt (Maturity October 1, 2019)  |                           | 2,750        | 2,750   | 2,750      |
|  |   | Warrants (587 equivalent units)  | 4.0%                      |              | 600     | 240        |
|  |   |  |                           |              |         |            |



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|  |       |            |            |
|--|-------|------------|------------|
| Preferred Member Units<br>(10,072 units)                                       | 67.8% | 2,834      | 4,100      |
|  |       | 7,478      | 8,384      |
| <b>Subtotal Control Investments (29.8% of total investments at fair value)</b> |       | \$ 439,674 | \$ 594,282 |

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|---|---------------------------|--------------|---------|------------|
| <b>Affiliate Investments(6)</b>  |   |   |                           |              |         |            |
| <b>AFG Capital Group, LLC</b><br><b>900 McDuff Avenue</b><br><b>Grandview, TX 76050</b>                          | Provider of Rent-to-Own Financing Solutions and Services                              | Warrants (42 equivalent units)  | 4.0%                      |              | \$ 259  | \$ 670     |
|  |   | Member Units (186 units)(8)   | 17.6%                     |              | 1,200   | 2,750      |
|  |   |   |                           |              | 1,459   | 3,420      |
| <b>Barfly Ventures, LLC(10)</b><br><b>1 Ionia Avenue SW, Suite 200</b><br><b>Grand Rapids, MI 49503</b>          | Casual Restaurant Group   | 12% Secured Debt (Maturity August 31, 2020)   |                           | 5,958        | 5,860   | 5,827      |
|  |   | Options (2 equivalent units)  | 3.3%                      |              | 397     | 490        |
|  |   | Warrant (1 equivalent unit)   | 1.8%                      |              | 473     | 280        |
|  |   |   |                           |              | 6,730   | 6,597      |
| <b>BBB Tank Services, LLC</b><br><b>162 Independence Parkway North</b><br><b>Baytown, TX 77520</b>               | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity April 8, 2021)(9) |                           | 800          | 797     | 797        |
|  |   | 15% Current Secured Debt (Maturity April 8, 2021)   |                           | 4,027        | 3,991   | 3,991      |
|  |   | Member Units (800,000 units)  | 10.2%                     |              | 800     | 800        |
|  |   |   |                           | 5,588        | 5,588   |            |
| <b>Boss Industries, LLC</b><br><b>1761 Genesis Drive</b><br><b>LaPorte, IN 46350</b>                             | Manufacturer and Distributor of Air, Power and Other Industrial Equipment             | Preferred Member Units (2,242 units)(8)   | 22.4%                     |              | 2,426   | 2,800      |
|  |   |   |                           |              |         |            |
| <b>Bridge Capital Solutions Corporation</b><br><b>300 Motor Parkway, Suite 215</b><br><b>Hauppauge, NY 11788</b> | Financial Services and Cash Flow Solutions Provider                                   | 13% Secured Debt (Maturity July 25, 2021)   |                           | 7,500        | 5,610   | 5,610      |
|  |   | Warrants (63 equivalent shares)   | 24.0%                     |              | 2,132   | 3,370      |
|  |   | 13% Secured Debt (Mercury Service Group, LLC) (Maturity July 25, 2021)                          |                           | 1,000        | 991     | 1,000      |
|  |   | Preferred Member Units (Mercury Service Group, LLC) (17,742 units)(8)                           | 74.1%                     |              | 1,000   | 1,000      |
|  |   |   |                           |              | 9,733   | 10,980     |

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**Buca C, LLC**  
**4700 Millenia Blvd., #400**  
**Orlando, FL 32839**

Casual Restaurant  
 Group

|   |       |        |        |        |
|---|-------|--------|--------|--------|
| LIBOR Plus 7.25% (Floor<br>1.00%), Current Coupon 8.25%,<br>Secured Debt (Maturity<br>June 30, 2020)(9) |       | 22,671 | 22,504 | 22,671 |
| Preferred Member Units (6<br>units; 6% cumulative)(8)(20)   | 60.0% |        | 3,937  | 4,660  |
|   |       |        | 26,441 | 27,331 |

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|---|---|---------------------------|--------------|---------|------------|
| CAI Software LLC<br>36 Thurber Boulevard<br>Smithfield, RI 02917                                  | Provider of Specialized Enterprise Resource Planning Software | 12% Secured Debt (Maturity October 10, 2019)  |                           | 3,683        | 3,660   | 3,683      |
|   |   | Member Units (65,356 units)(8)  | 14.8%                     |              | 654     | 2,480      |
|   |   |   |                           |              | 4,314   | 6,163      |
| CapFusion, LLC(13)<br>2310 W 75th Street<br>Prairie Village, KS 66028                             | Non-Bank Lender to Small Businesses                           | 13% Secured Debt (Maturity March 25, 2021)  |                           | 14,400       | 13,202  | 13,202     |
|   |   | Warrants (1,600 equivalent units)   | 16.0%                     |              | 1,200   | 1,200      |
|   |   |   |                           |              | 14,402  | 14,402     |
| Chandler Signs Holdings, LLC(10)<br>3201 Manor Way<br>Dallas, TX 75235                            | Sign Manufacturer   | 12% Secured Debt (Maturity July 4, 2021)  |                           | 4,500        | 4,461   | 4,500      |
|   |   | Class A Units (1,500,000 units)(8)  | 9.0%                      |              | 1,500   | 3,240      |
|   |   |   |                           |              | 5,961   | 7,740      |
| Condit Exhibits, LLC<br>5151 Bannock St<br>Denver, CO 80435                                       | Tradeshow Exhibits / Custom Displays Provider                 | Member Units (3,936 units)(8)   | 15.0%                     |              | 100     | 1,840      |
| Congruent Credit Opportunities Funds(12)(13)<br>3131 McKinney Ave., Suite 850<br>Dallas, TX 75204 | Investment Partnership  | LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  | 19.8%                     |              | 5,730   | 1,518      |
|   |   | LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) | 17.4%                     |              | 15,754  | 16,181     |
|   |   |   |                           |              | 21,484  | 17,699     |
| Daseke, Inc.<br>15455 Dallas Parkway, Ste. 400<br>Addison, TX 75001                               | Specialty Transportation Provider                             | 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018)                        |                           | 21,799       | 21,632  | 21,799     |
|   |   | Common Stock (19,467 shares)  | 13.4%                     |              | 5,213   | 24,063     |
|   |   |   |                           |              | 26,845  | 45,862     |
| Dos Rios Partners(12)(13)<br>3411 Richmond Avenue,  | Investment Partnership  |   |                           |              |         |            |

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Suite 420  
Houston, TX 77046

|   |       |       |       |
|---|-------|-------|-------|
| LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)  | 20.2% | 5,996 | 4,925 |
| LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%) | 6.4%  | 1,904 | 1,444 |
|   |       | 7,900 | 6,369 |

**Dos Rios Stone Products LLC(10)**  
205 Wild Basin Rd South,  
Suite 3100  
Austin, TX 78746

Limestone and Sandstone Dimension Cut Stone Mining Quarries

|                                    |       |       |       |
|------------------------------------|-------|-------|-------|
| Class A Units (2,000,000 units)(8) | 17.7% | 2,000 | 2,070 |
|------------------------------------|-------|-------|-------|

**East Teak Fine Hardwoods, Inc.**  
1106 Drake Road  
Donalds, SC 29638

Distributor of Hardwood Products

|                                |      |     |     |
|--------------------------------|------|-----|-----|
| Common Stock (6,250 shares)(8) | 5.0% | 480 | 860 |
|--------------------------------|------|-----|-----|

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4)  | Cost(4) | Fair Value |        |        |
|---|---|--|---------------------------|---|---------|------------|--------|--------|
| East West Copolymer & Rubber, LLC<br>5955 Scenic Highway<br>Baton Rouge, LA 70805                     | Manufacturer of Synthetic Rubbers   | 12% Current / 2% PIK Secured Debt (Maturity October 17, 2019)<br>Warrants (2,510,790 equivalent units) | 11.9%                     | 9,699   | 9,591   | 8,630      |        |        |
|   |   |  |                           |   | 50      |            |        |        |
|   |   |  |                           |   | 9,641   | 8,630      |        |        |
| EIG Fund Investments(12)(13)<br>Three Allen Center 333 Clay Street<br>Suite 3500<br>Houston, TX 77002 | Investment Partnership  | LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 11.1%)(8)                           | 11.1%                     |   | 2,804   | 2,804      |        |        |
| EIG Traverse Co-Investment, L.P.(12)(13)<br>301 N.W. 63rd, Suite 600<br>Oklahoma City, OK 73116       | Investment Partnership  | LP Interests (Fully diluted 22.2%)(8)  | 22.2%                     |   | 9,805   | 9,905      |        |        |
| Freeport Financial Funds(12)(13)<br>300 N. La Salle Street,<br>Suite 5300<br>Chicago, IL 60654        | Investment Partnership  | LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)                                 | 9.3%                      |   | 5,974   | 5,620      |        |        |
|   |   |  |                           | LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.0%)(8) | 6.0%    |            | 4,763  | 4,763  |
|   |   |  |                           |   |         |            | 10,737 | 10,383 |
| Gault Financial, LLC (RMB Capital, LLC)<br>409 Bearden Circle<br>Knoxville, TN 37919                  | Purchases and Manages Collection of Healthcare and other Business Receivables | 10% Current Secured Debt (Maturity January 1, 2019)<br>Warrants (29,025 equivalent units)              | 22.5%                     | 13,046  | 13,046  | 11,079     |        |        |
|   |   |  |                           |   | 400     |            |        |        |
|   |   |  |                           |   | 13,446  | 11,079     |        |        |
| Glowpoint, Inc.<br>430 Mountain Avenue., Ste. 301<br>Murray Hill, NJ 07974                            | Provider of Cloud Managed Video Collaboration Services                        | 12% Secured Debt (Maturity October 18, 2018)   | 21.1%                     | 9,000   | 8,949   | 3,997      |        |        |
|   |   |  |                           |   | 3,958   | 2,080      |        |        |

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Common Stock (7,711,517 shares)

12,907 6,077

**Guerdon Modular Holdings, Inc.**  
**5556 S Federal Way**  
**Boise, ID 83716**

Multi-Family and Commercial Modular Construction Company

9% Current / 4% PIK Secured Debt (Maturity August 13, 2019)

10,708 10,594 10,594

Preferred Stock (404,998 shares)(20)

24.2% 1,140 1,140

Common Stock (212,033 shares)

7.3% 2,983 80

14,717 11,814

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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)                                      | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|--|---|---------------------------|--------------|---------|------------|
| <b>Hawk Ridge Systems, LLC(13)</b><br>575 Clyde Ave<br>Mountain View, CA 94043                 | Value-Added Reseller of Engineering Design and Manufacturing Solutions | 10% Secured Debt (Maturity December 2, 2021)                  |                           | 10,000       | 9,901   | 9,901      |
|  |  | Preferred Member Units (226 units)(8)                         | 22.6%                     |              | 2,850   | 2,850      |
|  |  | Preferred Member Units (HRS Services, ULC) (226 units)        | 22.6%                     |              | 150     | 150        |
|  |  |   |                           |              | 12,901  | 12,901     |
| <b>Houston Plating and Coatings, LLC</b><br>1315 Georgia St<br>South Houston, TX 77587         | Provider of Plating and Industrial Coating Services                    | Member Units (265,756 units)                                  | 12.4%                     |              | 1,429   | 4,000      |
| <b>I-45 SLF LLC(12)(13)</b><br>5400 Lyndon B Johnson Freeway<br>Suite 1300<br>Dallas, TX 75240 | Investment Partnership   | Member units (Fully diluted 20.0%; 24.4% profits interest)(8) | 20.0%                     |              | 14,200  | 14,586     |
| <b>Indianhead Pipeline Services, LLC</b><br>13167 County Hwy 00<br>Chippewa Falls, WI 54729    | Provider of Pipeline Support Services                                  | 12% Secured Debt (Maturity February 6, 2017)                  |                           | 5,100        | 5,079   | 5,079      |
|  |  | Preferred Member Units (33,819 units; 8% cumulative)(8)(20)   | 14.5%                     |              | 2,339   | 2,677      |
|  |  | Warrants (31,928 equivalent units)                            | 8.2%                      |              | 459     |            |
|  |  | Member Units (14,732 units)                                   | 3.8%                      |              | 1       |            |
|  |  |   |                           | 7,878        | 7,756   |            |
| <b>KBK Industries, LLC</b><br>East Hwy 96<br>Rush Center, KS 67575                             | Manufacturer of Specialty Oilfield and Industrial Products             | 10% Secured Debt (Maturity September 28, 2017)                |                           | 1,250        | 1,250   | 1,250      |
|  |  | 12.5% Secured Debt (Maturity September 28, 2017)              |                           | 5,900        | 5,889   | 5,889      |
|  |  | Member Units (250 units)                                      | 18.4%                     |              | 341     | 2,780      |
|  |  |   |                           | 7,480        | 9,919   |            |
| <b>L.F. Manufacturing Holdings, LLC(10)</b><br>P.O. Box 578<br>Giddings, TX 78942              | Manufacturer of Fiberglass Products                                    | Member Units (2,179,001 units)                                | 14.1%                     |              | 2,019   | 1,380      |



**OnAsset Intelligence, Inc.**  
**3080 Story Road West**  
**Irving, TX 75038**

Provider of  
 Transportation  
 Monitoring /  
 Tracking Products  
 and Services

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| 12% PIK Secured Debt<br>(Maturity December 31,<br>2015)(17) |       | 4,519 | 4,519 | 4,519 |
| Preferred Stock (912 shares; 7%<br>cumulative)(20)          | 50.0% |       | 1,981 |       |
| Warrants (5,333 equivalent<br>shares)                       | 17.9% |       | 1,919 |       |
|   |       |       | 8,419 | 4,519 |

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| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|--|--|---------------------------|--------------|---------|------------|
| <b>OPI International Ltd.(13)</b><br><b>4545 Post Oak Place Drive</b><br><b>Houston, TX 77027</b>   | Provider of Man<br>Camp and Industrial<br>Storage Services                   | 10% Unsecured Debt (Maturity<br>April 8, 2018)   |                           | 473          | 473     | 473        |
|   |  | Common Stock (20,766,317<br>shares)  | 11.5%                     |              | 1,371   | 1,600      |
|   |  |  |                           |              | 1,844   | 2,073      |
| <b>PCI Holding Company, Inc.</b><br><b>12201 Magnolia Avenue</b><br><b>Riverside, CA 92503</b>  | Manufacturer of<br>Industrial Gas<br>Generating Systems                      | 12% Secured Debt (Maturity<br>March 31, 2019)  |                           | 13,000       | 12,898  | 13,000     |
|   |  | Preferred Stock (1,500,000<br>shares; 20% cumulative)(8)(20)   | 27.8%                     |              | 3,379   | 5,370      |
|   |  |  |                           |              | 16,277  | 18,370     |
| <b>Rocacea, LLC (Quality Lease<br/>and Rental Holdings, LLC)</b><br><b>501 East Kennedy Blvd,</b><br><b>Suite 801</b><br><b>Tampa, FL 33602</b> | Provider of Rigsite<br>Accommodation<br>Unit Rentals and<br>Related Services | 12% Secured Debt (Maturity<br>January 8, 2018)(14)(18)   |                           | 30,785       | 30,281  | 250        |
|   |  | Preferred Member Units (250<br>units)  | 22.2%                     |              | 2,500   |            |
|   |  |  |                           |              | 32,781  | 250        |
| <b>Tin Roof Acquisition Company</b><br><b>1516 Demonbreun Street</b><br><b>Nashville, TN 37203</b>  | Casual Restaurant<br>Group   | 12% Secured Debt (Maturity<br>November 13, 2018)   |                           | 13,511       | 13,385  | 13,385     |
|   |  | Class C Preferred Stock (Fully<br>diluted 10.0%; 10%<br>cumulative)(8)(20)                                 | 100.0%                    |              | 2,738   | 2,738      |
|   |  |  |                           |              | 16,123  | 16,123     |
| <b>UniTek Global<br/>Services, Inc.(11)</b><br><b>1777 Sentry Parkway West</b><br><b>Gwynedd Hall, Suite 202</b><br><b>Blue Bell, PA 19422</b>  | Provider of<br>Outsourced<br>Infrastructure<br>Services                      | LIBOR Plus 7.50% (Floor<br>1.00%), Current Coupon 8.50%,<br>Secured Debt (Maturity<br>January 13, 2019)(9) |                           | 5,021        | 5,010   | 5,021      |
|   |  | LIBOR Plus 8.50% (Floor<br>1.00%), Current Coupon 9.50%,<br>Secured Debt (Maturity<br>January 13, 2019)(9) |                           | 824          | 824     | 824        |
|   |  | 15% PIK Unsecured Debt<br>(Maturity July 13, 2019)   |                           | 745          | 745     | 745        |
|   |  | Preferred Stock (4,935,377<br>shares; 13.5%<br>cumulative)(8)(20)  | 9.6%                      |              | 5,814   | 6,410      |
|   |  |  |                           |              |         |            |

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|   |  |   |       |        |        |
|---|--|---|-------|--------|--------|
|   |  | Common Stock (705,054 shares)   | 7.1%  |        | 3,010  |
|   |  |   |       | 12,393 | 16,010 |
| <b>Universal Wellhead Services Holdings, LLC(10)</b><br><b>5729 Leopard St. Bldg 9</b><br><b>Corpus Christi, TX 78408</b> | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Preferred Member Units (UWS Investments, LLC) (716,949 units; 14% cumulative)(20) | 13.6% | 717    | 720    |
|   |  | Member Units (UWS Investments, LLC) (4,000,000 units)                             | 10.1% | 4,000  | 610    |
|   |  |   |       | 4,717  | 1,330  |

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| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4)    | Fair Value |
|---|--|--|---------------------------|--------------|------------|------------|
| <b>Valley Healthcare Group, LLC</b><br>2330 W Broadway, Suite 112<br>Mesa, AZ 85022 | Provider of Durable Medical Equipment                        | LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.12%, Secured Debt (Maturity December 29, 2020)(9) |                           | 12,956       | 12,844     | 12,844     |
|   |  | Preferred Member Units (Valley Healthcare Holding, LLC) (1,600 units)                                | 16.0%                     |              | 1,600      | 1,600      |
|   |  |  |                           |              | 14,444     | 14,444     |
| <b>Volusion, LLC</b><br>1835 Kramer Lane #100<br>Austin, TX 78758                   | Provider of Online Software-as-a-Service eCommerce Solutions | 11.5% Secured Debt (Maturity January 26, 2020)   |                           | 17,500       | 15,298     | 15,298     |
|   |  | Preferred Member Units (4,876,670 units)   | 7.1%                      |              | 14,000     | 14,000     |
|   |  | Warrants (1,831,355 equivalent units)  | 2.7%                      |              | 2,576      | 2,576      |
|   |  |  |                           |              | 31,874     | 31,874     |
| <b>Subtotal Affiliate Investments (18.8% of total investments at fair value)</b>    |  |  |                           |              | \$ 394,699 | \$ 375,948 |

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| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4)  | Fair Value |
|---|--|---|---------------------------|--------------|----------|------------|
| <b>Non-Control/Non-Affiliate Investments(7)</b>   |  |   |                           |              |          |            |
| <b>Adams Publishing Group, LLC(10)</b><br>1600 West End Boulevard,<br>Suite 100<br>St. Louis Park, MN 55416           | Local Newspaper Operator   | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity November 3, 2020)(9)   |                           | \$ 7,662     | \$ 7,544 | \$ 7,662   |
| <b>Ahead, LLC(10)</b><br>150 S. Wacker Drive,<br>Suite 2500<br>Chicago, IL 60606                                      | IT Infrastructure Value Added Reseller                           | LIBOR Plus 6.50%, Current Coupon 7.50%, Secured Debt (Maturity November 2, 2020)  |                           | 14,250       | 13,906   | 14,303     |
| <b>Allflex Holdings III Inc.(11)</b><br>2805 East 14th Street<br>Dallas, TX 75261                                     | Manufacturer of Livestock Identification Products                | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity July 19, 2021)(9)  |                           | 14,795       | 14,706   | 14,809     |
| <b>American Scaffold Holdings, Inc.(10)</b><br>3210 Commercial Street<br>San Diego, CA 92113                          | Marine Scaffolding Service Provider                              | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity March 31, 2022)(9)   |                           | 7,359        | 7,258    | 7,323      |
| <b>American Seafoods Group, LLC(11)</b><br>Market Place Tower,<br>2025 First Avenue<br>Suite 900<br>Seattle, WA 98121 | Catcher and Processor of Alaskan Pollock                         | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 19, 2021)(9)  |                           | 9,634        | 9,624    | 9,634      |
| <b>American Teleconferencing Services, Ltd.(11)</b><br>3280 Peachtree Rd N.E.,<br>Suite 1000<br>Atlanta, GA 30305     | Provider of Audio Conferencing and Video Collaboration Solutions | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 8, 2021)(9)<br>LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity June 6, 2022)(9) |                           | 11,163       | 10,345   | 10,933     |
|   |  |   |                           | 3,714        | 3,569    | 3,569      |

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|  |  |        |        |
|--|--|--------|--------|
|  |  | 13,914 | 14,502 |
|--|--|--------|--------|

**Anchor Hocking, LLC(11)**  
**519 N. Pierce Avenue**  
**Lancaster, OH 43130**

Household Products  
 Manufacturer

LIBOR Plus 9.00% (Floor  
 1.00%), Current Coupon  
 10.00%, Secured Debt  
 (Maturity June 4, 2018)(9)  
 Member Units (440,620 units)

4.4%

2,277

2,277  
 4,928

2,231  
 3,305

7,205

5,536

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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4)    | Cost(4)                   | Fair Value                |
|--|--|---|---------------------------|-----------------|---------------------------|---------------------------|
| <b>AP Gaming I, LLC(10)</b><br><b>6680 Amelia Earhart Court</b><br><b>Las Vegas, NV 89119</b>                    | Developer,<br>Manufacturer, and<br>Operator of Gaming<br>Machines        | LIBOR Plus 8.25% (Floor<br>1.00%), Current Coupon<br>9.25%, Secured Debt (Maturity<br>December 20, 2020)(9)   |                           | 7,209           | 7,099                     | 7,194                     |
| <b>Apex Linen Service, Inc.</b><br><b>6375 Arville Street</b><br><b>Las Vegas, NV 89118</b>                      | Industrial<br>Launderers   | LIBOR Plus 6.00% (Floor<br>1.00%), Current Coupon<br>7.00%, Secured Debt (Maturity<br>October 30, 2022)(9)<br>13% Secured Debt (Maturity<br>October 30, 2022) |                           | 2,400<br>14,416 | 2,400<br>14,337<br>16,737 | 2,400<br>14,337<br>16,737 |
| <b>Applied Products, Inc.(10)</b><br><b>6035 Baker Road</b><br><b>Minnetonka, MN 55345</b>                       | Adhesives<br>Distributor   | LIBOR Plus 6.50% (Floor<br>1.00%), Current Coupon<br>7.50%, Secured Debt (Maturity<br>September 30, 2019)(9)  |                           | 3,527           | 3,499                     | 3,518                     |
| <b>Arcus Hunting LLC.(10)</b><br><b>10157 Industrial Drive</b><br><b>Northeast</b><br><b>Covington, GA 30014</b> | Manufacturer of<br>Bowhunting and<br>Archery Products<br>and Accessories | LIBOR Plus 7.00% (Floor<br>1.00%), Current Coupon<br>8.00%, Secured Debt (Maturity<br>November 13, 2019)(9)   |                           | 13,947          | 13,796                    | 13,947                    |
| <b>Artel, LLC(11)</b><br><b>1983 Preston White Drive</b><br><b>Reston, VA 20191</b>                              | Provider of Secure<br>Satellite Network<br>and IT Solutions              | LIBOR Plus 7.00% (Floor<br>1.25%), Current Coupon<br>8.25%, Secured Debt (Maturity<br>November 27, 2017)(9)   |                           | 7,050           | 6,920                     | 6,592                     |
| <b>ATI Investment Sub, Inc.(11)</b><br><b>3901 Midway Place NE</b><br><b>Albuquerque, NM 87109</b>               | Manufacturer of<br>Solar Tracking<br>Systems                             | LIBOR Plus 7.25% (Floor<br>1.00%), Current Coupon<br>8.25%, Secured Debt (Maturity<br>June 22, 2021)(9)   |                           | 9,500           | 9,322                     | 9,476                     |
| <b>ATS Workholding, Inc.(10)</b><br><b>30222 Esperanza</b><br><b>Rancho Santa Margarita, CA</b><br><b>92688</b>  | Manufacturer of<br>Machine Cutting<br>Tools and<br>Accessories           | LIBOR Plus 9.50% (Floor<br>1.00%), Current Coupon<br>10.50%, Secured Debt<br>(Maturity March 10, 2019)(9)   |                           | 6,173           | 6,146                     | 5,924                     |

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**ATX Networks Corp.(11)(13)**  
**1-501 Clements Road West**  
**Ajax, ON L1S 7H4**

Provider of Radio  
Frequency  
Management  
Equipment

LIBOR Plus 6.00% (Floor  
1.00%), Current Coupon  
7.00%, Secured Debt (Maturity  
June 11, 2021)(9)

11,790      11,604      11,584



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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|---|--|---------------------------|--------------|---------|------------|
| <b>Berry Aviation, Inc.(10)</b><br>1807 Airport Drive<br>San Marcus, TX 78666                             | Airline Charter<br>Service Operator   | 12.00% Current / 1.75% PIK<br>Secured Debt (Maturity<br>January 30, 2020)                                  |                           | 5,627        | 5,588   | 5,627      |
|   |   | Common Stock (553 shares)  | 2.0%                      |              | 400     | 820        |
|   |   |  |                           |              | 5,988   | 6,447      |
| <b>Bluestem Brands, Inc.(11)</b><br>6509 Flying Cloud Dr.<br>Eden Prairie, MN 55344                       | Multi-Channel<br>Retailer of General<br>Merchandise   | LIBOR Plus 7.50% (Floor<br>1.00%), Current Coupon<br>8.50%, Secured Debt (Maturity<br>November 6, 2020)(9) |                           | 12,880       | 12,635  | 11,227     |
| <b>Brainworks Software, LLC(10)</b><br>100 South Main Street<br>Sayville, NY 11782                        | Advertising Sales<br>and Newspaper<br>Circulation Software                                  | Prime Plus 9.25% (Floor<br>3.25%), Current Coupon<br>13.00%, Secured Debt<br>(Maturity July 22, 2019)(9)   |                           | 6,733        | 6,684   | 6,733      |
| <b>Brightwood Capital Fund<br/>Investments(12)(13)</b><br>1540 Broadway, 23rd Floor<br>New York, NY 10036 | Investment<br>Partnership   | LP Interests (Brightwood<br>Capital Fund III, LP) (Fully<br>diluted 1.6%)(8)                               | 1.6%                      |              | 12,000  | 11,094     |
|   |   | LP Interests (Brightwood<br>Capital Fund IV, LP) (Fully<br>diluted 0.9%)                                   | 0.9%                      |              | 500     | 500        |
|   |   |  |                           |              | 12,500  | 11,594     |
| <b>Brundage-Bone Concrete<br/>Pumping, Inc.(11)</b><br>6461 Downing St<br>Denver, CO 80229                | Construction<br>Services Provider   | 10.375% Secured Debt<br>(Maturity September 1, 2021)   |                           | 3,000        | 2,985   | 3,240      |
| <b>California Pizza<br/>Kitchen, Inc.(11)</b><br>12181 Bluff Creek Drive<br>Playa Vista, CA 90094         | Casual Restaurant<br>Group  | LIBOR Plus 6.00% (Floor<br>1.00%), Current Coupon<br>7.00%, Secured Debt (Maturity<br>August 23, 2022)(9)  |                           | 4,988        | 4,940   | 4,976      |
| <b>Cenveo Corporation(11)</b><br>200 First Stamford Place<br>Stamford, CT 06902                           | Provider of<br>Commercial<br>Printing, Envelopes,<br>Labels, and Printed<br>Office Products | 6% Secured Debt (Maturity<br>August 1, 2019)   |                           | 13,130       | 11,097  | 11,719     |

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**CDHA Management, LLC(10)**  
**300 Frank W. Burr Blvd,**  
**Suite 5**  
**Teaneck, NJ 07666**

Dental Services

LIBOR Plus 7.25% (Floor  
 1.00%), Current Coupon  
 8.25%, Secured Debt (Maturity  
 December 5, 2021)(9)

4,491      4,415      4,415

**Charlotte Russe, Inc.(11)**  
**575 Florida Street**  
**San Francisco, CA 94010**

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      14,141      8,724

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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4)                  | Fair Value               |
|--|--|--|---------------------------|--------------|--------------------------|--------------------------|
| <b>Clarius BIGS, LLC(10)</b><br>311 N Robertson Blvd<br>Beverly Hills, CA 90211                            | Prints & Advertising Film Financing  | 15% PIK Secured Debt (Maturity January 5, 2015)(14)(17)  |                           | 2,928        | 2,928                    | 88                       |
| <b>Compact Power Equipment, Inc.</b><br>P. O. Box 40<br>Fort Mill, SC 29716                                | Equipment / Tool Rental  | 12% Secured Debt (Maturity October 1, 2017)<br>Series A Preferred Stock (4,298,435 shares)                                     | 3.8%                      | 4,100        | 4,095<br>1,079<br>5,174  | 4,100<br>4,180<br>8,280  |
| <b>Compuware Corporation(11)</b><br>One Campus Martius<br>Detroit, MI 48226                                | Provider of Software and Supporting Services   | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity December 15, 2019)(9)                             |                           | 8,345        | 8,187                    | 8,398                    |
| <b>Construction Supply Investments, LLC(10)</b><br>Nine Greenway Plaza,<br>Suite 2400<br>Houston, TX 77046 | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity June 30, 2023)(9)<br>Member Units (20,000 units) | 2.1%                      | 8,500        | 8,416<br>2,000<br>10,416 | 8,416<br>2,000<br>10,416 |
| <b>ContextMedia Health, LLC(11)</b><br>330 North Wabash Ave,<br>Suite 2500<br>Chicago, IL 60611            | Provider of Healthcare Media Content   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 23, 2021)(9)                             |                           | 8,000        | 7,201                    | 7,320                    |
| <b>Covenant Surgical Partners, Inc.(11)</b><br>401 Commerce Street, STE 600<br>Nashville, TN 37219         | Ambulatory Surgical Centers  | 8.75% Secured Debt (Maturity August 1, 2019)   |                           | 800          | 800                      | 772                      |
| <b>CRGT Inc.(11)</b><br>11921 Freedom Drive,   | Provider of Custom Software  |  |                           |              |                          |                          |

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Suite 1000  
Reston, VA 20190

Development

LIBOR Plus 6.50% (Floor  
1.00%), Current Coupon 7.50%,  
Secured Debt (Maturity  
December 19, 2020)(9) 6,366 6,286 6,382

CST Industries(11)  
9701 Renner, Suite 150  
Lenexa, KS 66219

Storage Tank  
Manufacturer

LIBOR Plus 6.25% (Floor  
1.50%), Current Coupon 7.75%,  
Secured Debt (Maturity  
May 22, 2017)(9) 9,102 9,084 9,102

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| Portfolio Company(1)  | Business Description                                     | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|---|--|---|---------------------------|--------------|---------|------------|
| <b>Darr Equipment LP(10)</b><br>350 Bank Street<br>Southlake, TX 76092                                    | Heavy Equipment Dealer                                   | 12% Current / 2% PIK Secured Debt (Maturity April 15, 2020)   |                           | 21,130       | 20,697  | 20,748     |
|   |  | Warrants (915,734 equivalent units)   | 1.4%                      |              | 474     | 10         |
|   |  |   |                           |              | 21,171  | 20,758     |
| <b>Digital River, Inc.(11)</b><br>10380 Bren Road West<br>Minnetonka, MN 55343                            | 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)  |                           | 15,184       | 15,086  | 15,317     |
| <b>Digital Room LLC(11)</b><br>8000 Haskell Ave.<br>Van Nuys, CA 91406                                    | Pure-Play e-Commerce Print Business                      | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity November 21, 2022)(9)  |                           | 7,625        | 7,475   | 7,549      |
| <b>Drilling Info Holdings, Inc.</b><br>2600 Via Fortuna, Fifth Floor<br>Austin, TX 78746                  | Information Services for the Oil and Gas Industry        | Common Stock (3,788,865 shares)   | 1.9%                      |              | 1,335   | 10,410     |
| <b>ECP-PF Holdings Group, Inc.(10)</b><br>400 Boston Post Rd<br>Orange, CT 06477                          | Fitness Club Operator                                    | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity November 26, 2019)(9) |                           | 5,625        | 5,589   | 5,625      |
| <b>EnCap Energy Fund Investments(12)(13)</b><br>1100 Louisiana Street,<br>Suite 4900<br>Houston, TX 77002 | Investment Partnership                                   | LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)                         | 0.1%                      |              | 3,877   | 1,955      |
|   |  | LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.4%)               | 0.4%                      |              | 2,200   | 1,225      |
|   |  | LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)                           | 0.1%                      |              | 3,957   | 3,680      |
|   |  | LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)                               | 0.1%                      |              | 3,039   | 3,039      |
|   |  |   |                           |              |         |            |

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|  |  |      |        |        |
|--|--|------|--------|--------|
|  | LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)  | 0.8% | 9,116  | 10,452 |
|  | LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)(8) | 0.2% | 2,513  | 2,461  |
|  |  |      | 24,702 | 22,812 |

**Evergreen Skills Lux S.á r.l.**  
**(d/b/a Skillsoft)(11)(13)**  
**107 Northeastern Blvd.**  
**Nashua, NH 03062**

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      6,857      5,274

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| Portfolio Company(1)  | Business Description   | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4)   | Cost(4)                 | Fair Value              |
|---|--|--|---------------------------|----------------|-------------------------|-------------------------|
| <b>Flavors Holdings Inc.(11)</b><br><b>300 Jefferson St.</b><br><b>Camden, NJ 08104</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)   |                           | 12,483         | 12,082                  | 10,174                  |
| <b>GI KBS Merger Sub LLC(11)</b><br><b>3605 Ocean Ranch Blvd.</b><br><b>Oceanside, CA 92056</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)<br>LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity April 29, 2022)(9) |                           | 3,900<br>800   | 3,851<br>787            | 3,842<br>760<br>4,602   |
| <b>Grace Hill, LLC(10)</b><br><b>3633 Wheeler Road, Suite 230</b><br><b>Augusta, GA 30909</b>                   | Online Training Tools for the Multi-Family Housing Industry        | Prime Plus 5.25% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity August 15, 2019)(9)<br>LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9) |                           | 634<br>11,552  | 623<br>11,472<br>12,095 | 634<br>11,552<br>12,186 |
| <b>Great Circle Family Foods, LLC(10)</b><br><b>4760 E. Los Coyotes Diagonal</b><br><b>Long Beach, CA 90815</b> | Quick Service Restaurant Franchise                                 | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 28, 2019)(9)  |                           | 7,648          | 7,598                   | 7,648                   |
| <b>Grupo Hima San Pablo, Inc.(11)</b><br><b>P.O. Box 4980</b><br><b>Caguas, Puerto Rico 00726</b>               | Tertiary Care Hospitals  | LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity January 31, 2018)(9)<br>13.75% Secured Debt (Maturity July 31, 2018)  |                           | 4,813<br>2,000 | 4,787<br>1,962          | 3,734<br>1,205<br>4,939 |

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|  |                                    |   |        |        |        |
|--|------------------------------------|---|--------|--------|--------|
| <b>GST Autoleather, Inc.(11)</b><br><b>20 Oak Hollow Dr Suite 300</b><br><b>Southfield, MI 48033</b>   | Automotive Leather<br>Manufacturer | LIBOR Plus 5.50% (Floor<br>1.00%), Current Coupon 6.50%,<br>Secured Debt (Maturity<br>July 10, 2020)(9) | 13,317 | 13,215 | 13,017 |
| <b>Guitar Center, Inc.(11)</b><br><b>5795 Lindero Canyon Road</b><br><b>Westlake Village, CA 91362</b> | Musical Instruments<br>Retailer    | 6.5% Secured Debt (Maturity<br>April 15, 2019)  | 14,625 | 13,890 | 13,272 |



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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4)      | Fair Value     |
|--|--|---|---------------------------|--------------|--------------|----------------|
| <b>Hojeij Branded Foods, LLC(10)</b><br><b>1750 The Exchange, Suite 200</b><br><b>Atlanta, GA 30339</b>                          | Multi-Airport,<br>Multi- Concept<br>Restaurant Operator                                | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity July 27, 2021)(9)                            |                           | 5,432        | 5,390        | 5,432          |
| <b>Hoover Group, Inc.(10)(13)</b><br><b>2135 Highway 6 South</b><br><b>Houston, TX 77077</b>                                     | Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity January 28, 2021)(9)                         |                           | 8,546        | 7,963        | 7,963          |
| <b>Horizon Global Corporation(11)(13)</b><br><b>39400 Woodward Ave,</b><br><b>Suite 100</b><br><b>Bloomfield Hills, TX 48304</b> | Auto Parts<br>Manufacturer   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity June 30, 2021)(9)                            |                           | 9,375        | 9,249        | 9,551          |
| <b>Hostway Corporation(11)</b><br><b>100 N Riverside, Suite 800</b><br><b>Chicago, IL 60606</b>                                  | Managed Services and Hosting Provider  | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity December 13, 2019)(9)                        |                           | 10,577       | 10,515       | 10,028         |
| <b>Hunter Defense Technologies, Inc.(11)</b><br><b>30500 Aurora Road, Suite 100</b><br><b>Solon, OH 44139</b>                    | Provider of Military and Commercial Shelters and Systems                               | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 5, 2019)(9)                           |                           | 9,606        | 9,120        | 8,933          |
| <b>Hygea Holdings, Corp.(10)</b><br><b>8750 NW 36th St, Suite #300</b><br><b>Doral, FL 33178</b>                                 | Provider of Physician Services   | LIBOR Plus 9.25%, Current Coupon 10.17%, Secured Debt (Maturity February 24, 2019) Warrants (5,990,452 equivalent shares) | 1.4%                      | 7,875        | 7,381<br>369 | 7,615<br>1,530 |
| <b>iEnergizer Limited(11)(13)</b><br><b>Mont Crevelt House,</b><br><b>Bulwer Avenue St</b><br><b>Sampson, Guernsey GY2 4LH</b>   | Provider of Business Outsourcing Solutions   |   |                           |              | 7,750        | 9,145          |

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|   |       |       |       |
|---|-------|-------|-------|
| LIBOR Plus 6.00% (Floor<br>1.25%), Current Coupon<br>7.25%, Secured Debt (Maturity<br>May 1, 2019)(9) | 9,918 | 9,467 | 9,621 |
|---|-------|-------|-------|

|   |  |   |       |       |       |
|---|--|---|-------|-------|-------|
| <b>Indivior Finance LLC(11)(13)</b><br><b>10710 Midlothian Turnpike,</b><br><b>Suite 430</b><br><b>Richmond, VA 23235</b> | Specialty<br>Pharmaceutical<br>Company Treating<br>Opioid Dependence | LIBOR Plus 6.00% (Floor<br>1.00%), Current Coupon<br>7.00%, Secured Debt (Maturity<br>December 19, 2019)(9) | 6,750 | 6,455 | 6,809 |
|---|--|---|-------|-------|-------|

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| Portfolio Company(1)   | Business Description                           | Type of Investment(2)(3)   | Percent of Class |              | Cost(4) | Fair Value |
|--|--|--|------------------|--------------|---------|------------|
|  |  |  | Held(19)         | Principal(4) |         |            |
| <b>Industrial Container Services, LLC(10)</b><br>2400 Maitland Center Parkway, Suite 107<br>Maitland, FL 32751 | Steel Drum Reconditioner                       | LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity December 31, 2018)(9) |                  | 8,949        | 8,932   | 8,949      |
| <b>Industrial Services Acquisition, LLC(10)</b><br>9 Greenway Plaza, Suite 2400<br>Houston, TX 77046           | Industrial Cleaning Services                   | 11.25% Current / 0.75% PIK Unsecured Debt (Maturity December 17, 2022)                             |                  | 4,519        | 4,433   | 4,433      |
|  |  | Member Units (Industrial Services Investments, LLC) (900,000 units)                                | 0.6%             |              | 900     | 900        |
|  |  |  |                  |              | 5,333   | 5,333      |
| <b>Infinity Acquisition Finance Corp.(11)</b><br>1359 Broadway, 2nd Floor<br>New York, NY 10018                | Application Software for Capital Markets       | 7.25% Unsecured Debt (Maturity August 1, 2022)   |                  | 5,700        | 5,366   | 4,802      |
| <b>Inn of the Mountain Gods Resort and Casino(11)</b><br>287 Carrizo Canyon Road<br>Mescalero, NM 88340        | Hotel & Casino Owner & Operator                | 9.25% Secured Debt (Maturity November 30, 2020)  |                  | 6,249        | 5,924   | 5,687      |
| <b>Intertain Group Limited(11)(13)</b><br>24 Duncan Street, 2nd Floor<br>Toronto, ON MSV 2B8                   | Business-to-Consumer Online Gaming Operator    | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity April 8, 2022)(9)     |                  | 4,426        | 4,364   | 4,465      |
| <b>iPayment, Inc.(11)</b><br>126 East 56th Street<br>New York, NY 10022  | Provider of Merchant Acquisition               | LIBOR Plus 5.25% (Floor 1.50%), Current Coupon 6.75%, Secured Debt (Maturity May 8, 2017)(9)       |                  | 14,918       | 14,907  | 14,395     |
| <b>iQor US Inc.(11)</b><br>335 Maddison Avenue,<br>27th Floor<br>New York, NY 10017                            | Business Process Outsourcing Services Provider | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity April 1, 2021)(9)     |                  | 9,812        | 9,671   | 9,413      |

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|   |   |                             |      |       |       |
|---|---|-----------------------------|------|-------|-------|
| <b>irth Solutions, LLC</b><br><b>5009 Horizons Drive</b><br><b>Columbus, OH 43220</b> | Provider of Damage<br>Prevention Information<br>Technology Services | Member Units (27,893 units) | 2.8% | 1,441 | 1,790 |
|---|---|-----------------------------|------|-------|-------|

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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4)      | Fair Value     |
|--|--|--|---------------------------|--------------|--------------|----------------|
| <b>Jackmont Hospitality, Inc.(10)</b><br><b>1760 Peachtree Street, Suite 200</b><br><b>Atlanta, GA 30309</b>   | Franchisee of Casual Dining Restaurants                          | LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25% / 2.50% PIK, Current Coupon Plus PIK 7.75%, Secured Debt (Maturity May 26, 2021)(9) |                           | 4,445        | 4,429        | 4,445          |
| <b>Joerns Healthcare, LLC(11)</b><br><b>2430 Whitehall Park Drive, Suite 100</b><br><b>Charlotte, NC 28273</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)   |                           | 14,655       | 14,560       | 13,776         |
| <b>JSS Holdings, Inc.(11)</b><br><b>180 North Stetson, 29th Floor</b><br><b>Chicago, IL 60601</b>              | Aircraft Maintenance Program Provider                            | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity August 31, 2021)(9)   |                           | 12,829       | 12,562       | 12,765         |
| <b>Kendra Scott, LLC(11)</b><br><b>1400 South Congress Avenue, Suite A-170</b><br><b>Austin, TX 78704</b>      | Jewelry Retail Stores  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity July 17, 2020)(9)   |                           | 5,578        | 5,536        | 5,550          |
| <b>Keypoint Government Solutions, Inc.(11)</b><br><b>115 East 57th Street</b><br><b>New York, NY 10022</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)                                       |                           | 5,459        | 5,443        | 5,431          |
| <b>LaMi Products, LLC(10)</b><br><b>860 Welsh Road</b><br><b>Huntingdon Valley, PA 19006</b>                   | General Merchandise Distribution                                 | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 16, 2020)(9)                                      |                           | 10,735       | 10,658       | 10,735         |
| <b>Larchmont Resources, LLC(11)</b><br><b>333 Clay Street, Suite 3500</b><br><b>Houston, TX 77002</b>          | Oil & Gas Exploration & Production                               | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, PIK Secured Debt (Maturity August 7, 2020)(9)                                     | 2.8%                      | 2,260        | 2,260<br>353 | 2,209<br>1,193 |

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Member Units (Larchmont  
Intermediate Holdco, LLC)  
(2,828 units)

2,613 3,402

**LKCM Headwater  
Investments I, L.P.(12)(13)  
301 Commerce Street,  
Suite 1600  
Fort Worth, TX 76102**

Investment  
Partnership

LP Interests (Fully diluted  
2.3%)

2.3%

2,500

3,627

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|--|---------------------------|--------------|---------|------------|
| <b>Logix Acquisition Company, LLC(10)</b><br>2950 N. Loop W. 8th Floor<br>Houston, TX 77092                  | Competitive Local Exchange Carrier  | LIBOR Plus 8.28% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity June 24, 2021)(9)     |                           | 8,593        | 8,457   | 8,593      |
| <b>Looking Glass Investments, LLC(12)(13)</b><br>316 E Silver Spring Drive, Suite 206<br>Milwaukee, WI 53217 | Specialty Consumer Finance  | 9% Unsecured Debt (Maturity June 30, 2020)   |                           | 188          | 188     | 188        |
|  |   | Member Units (2.5 units)   | 2.5%                      |              | 125     | 125        |
|  |   | Member Units (LGI Predictive Analytics LLC) (190,712 units)(8)                                     | 2.9%                      |              | 160     | 160        |
|  |   |  |                           |              | 473     | 473        |
| <b>Messenger, LLC(10)</b><br>318 East 7th Street<br>Auburn, IN 46706   | Supplier of Specialty Stationery and Related Products to the Funeral Industry | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity September 9, 2020)(9) |                           | 14,403       | 14,326  | 14,403     |
| <b>Minute Key, Inc.</b><br>4760 Walnut Street, Suite 105<br>Boulder, CO 80301                                | Operator of Automated Key Duplication Kiosks                                  | 10% Current / 2% PIK Secured Debt (Maturity September 19, 2019)                                    |                           | 15,700       | 15,404  | 15,404     |
|  |   | Warrants (1,437,409 equivalent units)  | 1.9%                      |              | 280     | 470        |
|  |   |  |                           |              | 15,684  | 15,874     |
| <b>Mood Media Corporation(11)(13)</b><br>1703 W 5th St., Ste. 600<br>Austin, TX 78703                        | Provider of Electronic Equipment  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity May 1, 2019)(9)       |                           | 14,805       | 14,645  | 14,312     |
| <b>New Media Holdings II LLC(11)(13)</b><br>1345 Avenue of the Americas<br>New York, NY10105                 | Local Newspaper Operator  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 4, 2020)(9)      |                           | 14,888       | 14,632  | 14,813     |

**North American Lifting  
Holdings, Inc.(11)  
925 South Loop West  
Houston, TX 77054**

Crane Service  
Provider

LIBOR Plus 4.50% (Floor  
1.00%), Current Coupon  
5.50%, Secured Debt  
(Maturity November 27,  
2020)(9)

3,865 3,235 3,375

**North Atlantic Trading  
Company, Inc.(11)  
5201 Interchange Way  
Louisville, KY 40229**

Marketer/Distributor  
of Tobacco Products

LIBOR Plus 6.50% (Floor  
1.25%), Current Coupon  
7.75%, Secured Debt  
(Maturity January 13, 2020)(9)

9,396 9,343 9,337



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| Portfolio Company(1)  | Business Description                                  | Type of Investment(2)(3)   | Percent of Class |              | Cost(4)               | Fair Value          |
|---|---|--|------------------|--------------|-----------------------|---------------------|
|   |   |  | Held(19)         | Principal(4) |                       |                     |
| <b>Novitex Intermediate, LLC(11)</b><br><b>1 Elmcroft Road</b><br><b>Stamford, CT 06926</b>   | Provider of Document Management Services              | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity July 7, 2020)(9)                                  |                  | 9,335        | 9,175                 | 8,985               |
| <b>NTM Acquisition Corp.(11)</b><br><b>100 Lighting Way</b><br><b>Seacaucus, NJ 07094</b>   | Provider of B2B Travel Information Content            | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity June 7, 2022)(9)                                  |                  | 4,144        | 4,085                 | 4,128               |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b><br><b>777 East Eisenhower Parkway, Suite 100</b><br><b>Ann Arbor, MI 48108</b>         | Estrogen-Deficiency Drug Manufacturer and Distributor | 11.5% Secured Debt (Maturity November 15, 2026)(14)  |                  | 5,071        | 5,071                 | 2,088               |
| <b>Pardus Oil and Gas, LLC(11)</b><br><b>100 Throckmorton St, Suite 1700</b><br><b>Fort Worth, TX 76102</b>                           | Oil & Gas Exploration & Production                    | 13% PIK Secured Debt (Maturity November 12, 2021)<br>5% PIK Secured Debt (Maturity May 13, 2022)<br>Member Units (2,472 units) | 2.6%             | 1,869<br>992 | 1,869<br>992<br>2,472 | 1,869<br>562<br>970 |
| <b>Paris Presents Incorporated(11)</b><br><b>3800 Swanson Ct.</b><br><b>Gurnee, IL 60031</b>  | Branded Cosmetic and Bath Accessories                 | LIBOR Plus 8.75% (Floor 1.00%), Current Coupon 9.75%, Secured Debt (Maturity December 31, 2021)(9)                             |                  | 2,000        | 1,969                 | 1,960               |
| <b>Parq Holdings Limited Partnership(11)(13)</b><br><b>595 Burrard Street, Suite 700</b><br><b>Vancouver, British Columbia V7X1S8</b> | Hotel & Casino Operator                               | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity December 17, 2020)(9)                             |                  | 7,500        | 7,394                 | 7,388               |
| <b>Permian Holdco 2, Inc.(11)</b><br><b>17101 Preston Road Suite 230</b><br><b>Dallas, TX 75248</b>                                   | Storage Tank Manufacturer                             | 14% PIK Unsecured Debt (Maturity October 15, 2021)<br>Preferred Stock (Permian Holdco 1, Inc.) (154,558)                       | 1.5%             | 198          | 198<br>799            | 198<br>799          |

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units)(20)  
 Common Stock (Permian  
 Holdco 1, Inc.) (154,558 units) 0.8%

997 997

|   |                |  |       |       |       |
|---|----------------|--|-------|-------|-------|
| <b>Pernix Therapeutics Holdings, Inc.(10)</b> |                |  |       |       |       |
| <b>10 North Park Place, Suite 201</b>         | Pharmaceutical |  |       |       |       |
| <b>Morristown, NJ 07960</b>                   | Royalty        |  |       |       |       |
|   |                | 12% Secured Debt (Maturity August 1, 2020) | 3,447 | 3,447 | 3,326 |

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4)          | Fair Value |
|---|---|---|---------------------------|--------------|------------------|------------|
| <b>Pet Holdings ULC(11)(13)</b><br><b>7300 Warden Avenue,</b><br><b>Suite 106</b><br><b>Markham, ON L3R 9Z6</b> | Retailer of Pet Products and Supplies to Consumers  | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity July 5, 2022)(9)       |                           | 2,494        | 2,470            | 2,503      |
| <b>Pike Corporation(11)</b><br><b>100 Pike Way</b><br><b>Mount Airy, NC 27030</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)      |                           | 14,000       | 13,720           | 14,082     |
| <b>Point.360(10)</b><br><b>2777 North Ontario Street</b><br><b>Burbank, CA 91504</b>                            | Fully Integrated Provider of Digital Media Services   | Warrants (65,463 equivalent shares)<br>Common Stock (163,658 shares)                                | 0.4%<br>1.0%              |              | 69<br>273<br>342 | 63<br>63   |
| <b>Polycom, Inc.(11)</b><br><b>6001 America Center Drive</b><br><b>San Jose, CA 95002</b>                       | Provider of Audio and Video Communication Solutions   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 27, 2023)(9) |                           | 12,089       | 11,617           | 12,194     |
| <b>PPC/SHIFT LLC(10)</b><br><b>348 E. Maple Rd.</b><br><b>Birmingham, AL 48009</b>                              | Provider of Digital Solutions to Automotive Industry  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity June 6, 2022)(9)       |                           | 7,000        | 6,852            | 6,852      |
| <b>Prowler Acquisition Corp.(11)</b><br><b>1010 Lamar, Suite 1320</b><br><b>Houston, TX 77002</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)   |                           | 9,519        | 7,904            | 7,044      |
| <b>PT Network, LLC(10)</b><br><b>1550 Madruga Avenue,</b><br><b>Suite 514</b><br><b>Coral Gables, FL 33146</b>  | Provider of Outpatient Physical Therapy and Sports Medicine Services                            | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity                        |                           | 16,225       | 15,979           | 15,979     |

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November 30, 2021)(9)

**QBS Parent, Inc.(11)**  
**811 Main Street, Suite 2000**  
**Houston, TX 77002**

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)

11,274

11,201

11,161

108

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| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4)   | Fair Value |
|--|--|---|---------------------------|--------------|-----------|------------|
| <b>Raley's(11)</b><br>500 West Capitol Avenue<br>West Sacramento, CA 95605                               | Family-Owned Supermarket Chain   | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity May 18, 2022)(9)       |                           | 4,195        | 4,125     | 4,242      |
| <b>Redbox Automated Retail, LLC(11)</b><br>One Tower Lane Suite 900<br>Oakbrook Terrace, IL 60181        | Operator of Home Media Entertainment Kiosks                            | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity September 27, 2021)(9) |                           | 15,000       | 14,581    | 14,629     |
| <b>Renaissance Learning, Inc.(11)</b><br>2911 Peach Street, PO Box 8036<br>Wisconsin Rapids, WI 54495    | 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        | 2,978     | 2,987      |
| <b>RGL Reservoir Operations Inc.(11)(13)</b><br>734 7th Avenue SW Suite 1600<br>Calgary, Alberta T2P 3P8 | Oil & Gas Equipment and Services                                       | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 13, 2021)(9)    |                           | 3,910        | 3,826     | 880        |
| <b>RM Bidder, LLC(10)</b><br>1040 N. Las Palmas Ave,<br>Building 40<br>Los Angeles, CA 90038             | Scripted and Unscripted TV and Digital Programming Provider            | Warrants (327,532 equivalent units)<br>Member Units (2,779 units)                                   | 1.4%<br>0.0%              |              | 425<br>46 | 300<br>44  |
|  |  |   |                           |              | 471       | 344        |
| <b>SAExploration, Inc.(10)(13)</b><br>3333 8th Street SE, 3rd Floor<br>Calgary, AB, T2G 3A4              | Geophysical Services Provider  | Common Stock (50 shares)  | 0.0%                      |              | 65        | 3          |
| <b>SAFETY Investment Holdings, LLC</b><br>1730 Montano Road NW, Suite F<br>Albuquerque, NM 87107         | Provider of Intelligent Driver Record Monitoring Software and Services | Member Units (2,000,000 units)  | 1.6%                      |              | 2,000     | 2,000      |
| <b>Salient Partners L.P.(11)</b><br>4265 San Felipe, 8th Floor<br>Houston, TX 77027                      | Provider of Asset Management Services                                  |   |                           | 10,812       | 10,538    | 10,352     |

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LIBOR Plus 8.50% (Floor  
1.00%), Current Coupon  
9.50%, Secured Debt  
(Maturity June 9, 2021)(9)

**School Specialty, Inc.(11)**  
**W6316 Design Drive**  
**Greenville, WI 54942**

Distributor of  
Education Supplies  
and Furniture

LIBOR Plus 8.50% (Floor  
1.00%), Current Coupon  
9.50%, Secured Debt  
(Maturity June 11, 2019)(9)

5,712

5,632

5,784

109

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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value              |
|--|---|---|---------------------------|--------------|---------|-------------------------|
| <b>Sigma Electric Manufacturing Corporation(10)(13)</b><br>120 Sigma Drive<br>Garner, NC 27529         | Manufacturer and Distributor of Electrical Fittings and Parts | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity October 13, 2021)(9)                     |                           | 12,500       | 12,200  | 12,200                  |
| <b>Sorenson Communications, Inc.(11)</b><br>4192 South Riverboat Road<br>Salt Lake City, UT 84123      | Manufacturer of Communication Products for Hearing Impaired   | LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.00%, Secured Debt (Maturity April 30, 2020)(9)                       |                           | 13,371       | 13,283  | 13,271                  |
| <b>Strike, LLC(11)</b><br>1800 Huges Landing Blvd.<br>Suite 500<br>The Woodlands, TX 77380             | Pipeline Construction and Maintenance Services                | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity November 30, 2022)(9)                    |                           | 10,000       | 9,666   | 9,864                   |
| <b>Subsea Global Solutions, LLC(10)</b><br>2994 North Miami Avenue<br>Miami, FL 33127                  | Underwater Maintenance and Repair Services                    | LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 17, 2020)(9)                       |                           | 5,629        | 5,588   | 5,624                   |
| <b>Synagro Infrastructure Company, Inc(11)</b><br>435 Williams Court, Suite 100<br>Baltimore, MD 21220 | Waste Management Services                                     | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)                      |                           | 4,714        | 4,659   | 4,136                   |
| <b>Targus International, LLC(11)</b><br>1211 North Miller Street<br>Anaheim, CA 92806                  | Distributor of Protective Cases for Mobile Devices            | 15% PIK Secured Debt (Maturity December 31, 2019)<br>Common Stock (Targus Cayman HoldCo Limited) (249,614 shares)(13) | 2.5%                      | 1,140        | 2,555   | 1,140<br>2,260<br>3,400 |
| <b>TE Holdings, LLC(11)</b><br>4727 Gaillardia Parkway<br>Oklahoma City, OK 73142                      | Oil & Gas Exploration & Production                            | Member Units (97,048 units)   | 0.1%                      |              | 970     | 728                     |





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| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)   | Percent of Class Held(19) | Principal(4) | Cost(4) | Fair Value |
|--|---|--|---------------------------|--------------|---------|------------|
| <b>TeleGuam Holdings, LLC(11)</b><br><b>624 North Marine Corps Drive</b><br><b>Tamuning, Guam</b>                      | Cable and Telecom Services Provider                           | LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity December 10, 2018)(9) |                           | 7,622        | 7,613   | 7,546      |
|  |   | LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity June 10, 2019)(9)     |                           | 10,500       | 10,442  | 10,290     |
|  |   |  |                           |              | 18,055  | 17,836     |
| <b>The Topps Company, Inc.(11)</b><br><b>1 Whitehall St.</b><br><b>New York, NY 10004</b>                              | Trading Cards & Confectionary                                 | LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity October 2, 2020)(9)   |                           | 2,218        | 2,208   | 2,226      |
| <b>TMC Merger Sub Corp.(11)</b><br><b>1060 Hensley Street</b><br><b>Richmond, CA 94801</b>                             | Refractory & Maintenance Services Provider                    | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity October 31, 2022)(9)  |                           | 12,500       | 12,376  | 12,438     |
| <b>TOMS Shoes, LLC(11)</b><br><b>5404 Jandy Place</b><br><b>Los Angeles, CA 90066</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)  |                           | 4,913        | 4,567   | 3,635      |
| <b>Travel Leaders Group, LLC(11)</b><br><b>119 West 40th Street,</b><br><b>14th Floor</b><br><b>New York, NY 10018</b> | Travel Agency Network Provider                                | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity December 7, 2020)(9)  |                           | 10,994       | 10,936  | 10,975     |
| <b>Truck Bodies and Equipment International, Inc.(10)</b><br><b>52182 Ember Road</b><br><b>Lake Crystal, MN 56055</b>  | Manufacturer of Dump Truck Bodies and Dump Trailers           | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 31, 2021)(9)    |                           | 15,750       | 15,602  | 15,602     |
| <b>TVG-I-E CMN ACQUISITION, LLC(10)</b><br><b>1001 McKinney Street,</b><br><b>Suite 400</b>                            | Organic Lead Generation for Online Postsecondary              |  |                           |              |         |            |

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Houston, TX 77002

Schools

|  |       |       |       |
|--|-------|-------|-------|
| LIBOR Plus 6.00% (Floor<br>1.00%), Current Coupon<br>7.00%, Secured Debt (Maturity<br>November 3, 2021)(9) | 6,459 | 6,334 | 6,334 |
|--|-------|-------|-------|

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| Portfolio Company(1)  | Business Description  | Type of Investment(2)(3)  | Percent of Class Held(19) | Principal(4) | Cost(4)             | Fair Value          |
|---|---|---|---------------------------|--------------|---------------------|---------------------|
| <b>Tweddle Group, Inc.(11)</b><br><b>24700 Maplehurst Dr</b><br><b>Clinton Township, MI 48036</b>                   | Provider of Technical Information Services to Automotive OEMs                 | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 21, 2022)(9)   |                           | 8,462        | 8,295               | 8,419               |
| <b>UniRush, LLC</b><br><b>10653 Techwood Cir.</b><br><b>Blue Ash, OH 45242</b>                                      | Provider of Prepaid Debit Card Solutions                                      | 12% Secured Debt (Maturity February 1, 2019)<br>Warrants (444,725 equivalent units)   | 2.4%                      | 12,000       | 10,981<br>1,250     | 12,000<br>1,250     |
|   |   |   |                           |              | 12,231              | 13,250              |
| <b>US Joiner Holding Company(11)</b><br><b>5690 Three Noched Rd,</b><br><b>Suite 200</b><br><b>Crozet, VA 22932</b> | Marine Interior Design and Installation                                       | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity April 16, 2020)(9)   |                           | 11,514       | 11,435              | 11,456              |
| <b>U.S. TelePacific Corp.(10)</b><br><b>515 S. Flower St. 47th Floor</b><br><b>Los Angeles, CA 90071</b>            | Provider of Communications and Managed Services                               | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity February 24, 2021)(9)  |                           | 7,500        | 7,377               | 7,377               |
| <b>VCVH Holding Corp. (Verisk)(11)</b><br><b>201 Jones Road, 4th Floor</b><br><b>Waltham, MA 02451</b>              | Healthcare Technology Services Focused on Revenue Maximization                | LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 10.25%, Secured Debt (Maturity June 1, 2024)(9)  |                           | 1,500        | 1,464               | 1,488               |
| <b>Virtex Enterprises, LP(10)</b><br><b>12234A N Interstate Highway</b><br><b>35</b><br><b>Austin, TX 78753</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)(20)<br>Warrants (11 equivalent units) | 22.2%<br>1.1%             | 1,667        | 1,559<br>333<br>186 | 1,559<br>612<br>220 |
|   |   |   |                           |              | 2,078               | 2,391               |

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|  |  |  |        |       |        |
|--|--|--|--------|-------|--------|
| <b>Wellnext, LLC(10)</b><br><b>1301 Sawgrass Corporate</b><br><b>Parkway</b><br><b>Sunrise, FL 33323</b> | Manufacturer of<br>Supplements and<br>Vitamins | LIBOR Plus 9.00% (Floor<br>0.50%), Current Coupon 9.85%,<br>Secured Debt (Maturity<br>May 23, 2021)(9) | 10,058 | 9,968 | 10,058 |
|--|--|--|--------|-------|--------|

|  |                      |  |       |       |       |
|--|----------------------|--|-------|-------|-------|
| <b>Western Dental</b><br><b>Services, Inc.(11)</b><br><b>530 S Main St #600</b><br><b>Orange, CA 92868</b> | Dental Care Services | LIBOR Plus 6.50% (Floor<br>1.00%), Current Coupon 7.50%,<br>Secured Debt (Maturity<br>November 1, 2018)(9) | 4,904 | 4,902 | 4,885 |
|--|----------------------|--|-------|-------|-------|

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| Portfolio Company(1)   | Business Description                                  | Type of Investment(2)(3)  | Percent of Class |              | Cost(4)               | Fair Value            |
|--|---|---|------------------|--------------|-----------------------|-----------------------|
|  |   |   | Held(19)         | Principal(4) |                       |                       |
| <b>Wilton Brands, LLC(11)</b><br>2240 W. 75th St.<br>Woodridge, IL 60517                         | Specialty Housewares Retailer                         | LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity August 30, 2018)(9)  |                  | 1,153        | 1,147                 | 1,093                 |
| <b>Worley Claims Services, LLC(10)</b><br>303 Timber Creek<br>Hammond, LA 70403                  | Insurance Adjustment Management and Services Provider | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity October 31, 2020)(9) |                  | 6,386        | 6,342                 | 6,386                 |
| <b>YP Holdings LLC(11)</b><br>2247 Northlake Parkway<br>Tucker, GA 30084                         | Online and Offline Advertising Operator               | LIBOR Plus 11.00% (Floor 1.25%), Current Coupon 12.25%, Secured Debt (Maturity June 4, 2018)(9)   |                  | 11,428       | 10,969                | 11,398                |
| <b>Zilliant Incorporated</b><br>3815 S. Capital of Texas Hwy #300<br>Austin, TX 78704            | Price Optimization and Margin Management Solutions    | Preferred Stock (186,777 shares)(20)<br>Warrants (952,500 equivalent shares)                      | 0.7%<br>2.5%     |              | 154<br>1,071<br>1,225 | 260<br>1,190<br>1,450 |
| <b>Subtotal Non-Control/Non-Affiliate Investments (51.4% of total investments at fair value)</b> |   |   |                  |              | \$ 1,037,510          | \$ 1,026,676          |
| <b>Total Portfolio Investments, December 31, 2016</b>  |   |   |                  |              | \$ 1,871,883          | \$ 1,996,906          |

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. See Note B to our consolidated financial statements included elsewhere herein 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) Note C to our consolidated financial statements included elsewhere herein 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. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2016. As noted in this schedule, 64% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.50% and 2.25%, with a weighted-average LIBOR floor of approximately 1.04%.
- (10) Private Loan portfolio investment. See Note B to our consolidated financial statements included elsewhere herein for a description of Private Loan portfolio investments.
- (11) Middle Market portfolio investment. See Note B to our consolidated financial statements included elsewhere herein for a description of Middle Market portfolio investments.
- (12) Other Portfolio investment. See Note B to our consolidated financial statements included elsewhere herein 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) [Omitted].

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- (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.**
- (19) **Percent of class held is presented for equity investments only. Unless otherwise noted, for any warrants, convertible or preferred equity instruments, the percent of class represents the percent of common equity class in the portfolio company that such instrument is convertible or exchangeable into as such instrument does not contain any preferred return rights that would change the investment's economic interest in a sale or exit transaction.**
- (20) **Percent of class for investment represents percent of specific class only, as such investment has contractual return rights specific to its class.**

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

**Board of Directors and Executive Officers**

Our Board of Directors consists of eight members, seven of whom are classified under applicable NYSE listing standards as "independent" directors and under Section 2(a)(19) of the 1940 Act as "non-interested" persons. Pursuant to our articles of incorporation, each member of our Board of Directors serves a one year term, with each current director serving until the 2017 annual meeting of stockholders and until his respective successor is duly qualified and elected. Our articles of incorporation give our Board of Directors sole authority to appoint directors to fill vacancies that are created either through an increase in the number of directors or due to the resignation, removal or death of any director.

*Directors*

Information regarding our current Board of Directors is set forth below as of April 21, 2017. We have divided the directors into two groups independent directors and interested directors. Interested directors are "interested persons" of MSCC as defined in Section 2(a)(19) of the 1940 Act. The address for each director is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, 8<sup>th</sup> Floor, Houston, Texas 77056.

*Independent Directors*

| Name                | Age | Director Since | Expiration of Term |
|---------------------|-----|----------------|--------------------|
| Michael Appling Jr. | 50  | 2007           | 2017               |
| Joseph E. Canon     | 75  | 2007           | 2017               |
| Arthur L. French    | 76  | 2007           | 2017               |
| J. Kevin Griffin    | 45  | 2011           | 2017               |
| John E. Jackson     | 58  | 2013           | 2017               |
| Brian E. Lane       | 60  | 2015           | 2017               |
| Stephen B. Solcher  | 56  | 2015           | 2017               |

*Interested Directors*

| Name              | Age | Director Since | Expiration of Term |
|-------------------|-----|----------------|--------------------|
| Vincent D. Foster | 60  | 2007           | 2017               |



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***Executive Officers***

Our executive officers serve at the discretion of our Board of Directors. The following persons serve as our executive officers or significant employees in the following capacities (information as of April 21, 2017):

| <b>Name</b>         | <b>Age</b> | <b>Position(s) Held</b>  |
|---------------------|------------|--|
| Vincent D. Foster*  | 60         | Chairman of the Board and Chief Executive Officer                              |
| Dwayne L. Hyzak*    | 44         | President, Chief Operating Officer and Senior Managing Director                |
| Curtis L. Hartman*  | 44         | Vice Chairman, Chief Credit Officer and Senior Managing Director               |
| David L. Magdol*    | 46         | Vice Chairman, Chief Investment Officer and Senior Managing Director           |
| Rodger A. Stout     | 65         | Executive Vice President   |
| Jason B. Beauvais   | 42         | Senior Vice President, General Counsel, Chief Compliance Officer and Secretary |
| Brent D. Smith      | 42         | Chief Financial Officer and Treasurer  |
| Nicholas T. Meserve | 37         | Managing Director  |
| K. Colton Braud     | 31         | Managing Director  |
| Shannon D. Martin   | 47         | Vice President, Chief Accounting Officer and Assistant Treasurer               |
| Katherine S. Silva  | 37         | Vice President and Assistant Treasurer   |

\* Member of our Investment Committee and our Executive Committee. The Investment Committee is responsible for all aspects of our lower middle market investment process, including approval of such investments. The Executive Committee consults with and advises our Chief Executive Officer on significant firm-wide operational and strategic priorities.

Member of our Credit Committee. The Credit Committee is responsible for all aspects of our investment process with respect to our middle market portfolio investments, including approval of such investments.

Portfolio manager primarily responsible for the day-to-day management of our investment portfolio.

The address for each executive officer and significant employee is c/o Main Street Capital Corporation, 1300 Post Oak Boulevard, 8<sup>th</sup> Floor, Houston, Texas 77056.

**Biographical Information**

***Independent Directors***

*Michael Appling, Jr.* is the Chief Executive Officer of TNT Crane & Rigging Inc., a privately held full service crane and rigging operator. From July 2002 through August 2007, he was the Executive Vice President and Chief Financial Officer of XServ, Inc., a large private equity funded, international industrial services and rental company. Mr. Appling also held the position of CEO and President for United Scaffolding, Inc., an XServ, Inc. operating subsidiary. In February 2007, XServ, Inc. was sold to The Brock Group, a private industrial services company headquartered in Texas. From March 2000 to June 2002, Mr. Appling served as the Chief Financial Officer of CheMatch.com, an online commodities trading forum. ChemConnect, Inc., a venture backed independent trading exchange, acquired CheMatch.com in January 2002. From June 1999 to March 2000, Mr. Appling was Vice President and Chief Financial Officer of American Eco Corporation, a publicly traded, international fabrication, construction and maintenance provider to the energy, pulp and paper and power industries.

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Mr. Appling worked for ITEQ, Inc., a publicly traded, international fabrication and services company, from September 1997 to May 1999, first as a Director of Corporate Development and then as Vice President, Finance and Accounting. From July 1991 to September 1997, Mr. Appling worked at Arthur Andersen, where he practiced as a certified public accountant. We believe Mr. Appling is qualified to serve on our Board of Directors because of his extensive finance and accounting experience, as well as his executive leadership and management experience as a chief executive officer.

*Joseph E. Canon*, since 1982, has been the Executive Vice President and Executive Director, and a member of the Board of Directors, of Dodge Jones Foundation, a private charitable foundation located in Abilene, Texas. Since 2008, he has also been the Executive Vice President and Executive Director, and a member of the Board of Directors, of Kickapoo Springs Foundation and The Leggett Foundation, two private family foundations located in Abilene, Texas. Mr. Canon has also been involved during this time as an executive officer and director of several private companies and partnerships with emphasis on energy, financial and other alternative investments. From 1974 to 1982, he served as Executive Vice President and Trust Officer of First National Bank of Abilene. Mr. Canon served until April 2014 on the Board of Directors of First Financial Bankshares, Inc. (NASDAQ: FFIN), a bank and financial holding company headquartered in Abilene, Texas. Mr. Canon also served until April 2014 on the Board of Directors for several bank and trust/asset management subsidiaries of First Financial Bankshares, Inc. He has also served as an executive officer and member of the Board of Directors of various other organizations including the Abilene Convention and Visitors Bureau, Abilene Chamber of Commerce, Conference of Southwest Foundations, City of Abilene Tax Increment District, West Central Texas Municipal Water District and the John G. and Marie Stella Kenedy Memorial Foundation. We believe Mr. Canon's qualifications to serve on our Board of Directors include his many years of managing and investing assets on behalf of public and private entities, his considerable experience in trust banking activities and practices, and his experience on other public boards of directors.

*Arthur L. French* has served in a variety of executive management and board of director roles over the course of his business career. He began his private investment activities in 2000 and served as a director of Fab Tech Industries, a steel fabricator, from November 2000 until August 2009, as a director of Houston Plating and Coatings Company, an industrial coatings company, from 2002 until 2007, as a director of Rawson LP, an industrial distribution and maintenance services company, from May 2003 until June 2009, and as non-executive chairman of Rawson Holdings, LLC from March 2009 until December 2010. From September 2003 through March 2007, Mr. French was a member of the Advisory Board of Main Street Capital Partners, LLC and a limited partner of Main Street Mezzanine Fund, LP (both of which are now subsidiaries of Main Street). Mr. French currently serves as an advisor to LKCM Capital Group, LLC, an alternative investment vehicle for Luther King Capital Management headquartered in Fort Worth, Texas ("LKCM"). In addition, he serves as an independent director, Chairman of the Audit Committee and a member of the Compensation Committee of Relevant Solutions Inc. (previously LKCM Distribution Holdings LP), an LKCM portfolio company which provides industrial instrumentation and controls, air compressor products and systems, heat transfer and filter systems and related maintenance services to chemical, petrochemical, oil and gas and power generation customers in Texas, Oklahoma and Louisiana as well as other key markets in the central and western United States. From 1996-1999, Mr. French was Chairman and Chief Executive Officer of Metals USA Inc. (NYSE), where he managed the process of founders acquisition, assembled the management team and took the company through a successful IPO in July 1997. From 1989-1996, he served as Executive Vice President and Director of Keystone International, Inc. (NYSE), a manufacturer of flow controls equipment. After serving as a helicopter pilot in the United States Army, Captain, Corps of Engineers from 1963-1966, Mr. French began his career as a Sales Engineer for Fisher Controls International, Inc., in 1966. During his 23-year career at Fisher Controls, from 1966-1989, Mr. French held various titles, and ended his career at Fisher Controls as President, Chief Operating Officer and Director. We believe Mr. French is qualified to serve on our Board of Directors

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because of his executive management and leadership roles within numerous public and private companies and his experience in investing in private companies.

*J. Kevin Griffin* is the Senior Vice President of Financial Planning & Analysis at Novant Health, a not-for-profit integrated system of 14 hospitals and a medical group consisting of approximately 1,300 physicians in 355 clinic locations, as well as numerous outpatient surgery centers, medical plazas, rehabilitation programs, diagnostic imaging centers, and community health outreach programs. Mr. Griffin's responsibilities at Novant primarily include debt capital market and M&A transactions, along with various other strategic analysis projects. From 2007 to October 2012, Mr. Griffin was a Managing Director of Fennebresque & Co., LLC, a boutique investment banking firm located in Charlotte, North Carolina. From 2003 through 2007, he was a Partner at McColl Partners, LLC, where he originated and executed middle market M&A transactions. Prior to McColl Partners, Mr. Griffin worked in the M&A and corporate finance divisions of Lazard Ltd, JPMorgan, and Bank of America in New York, Chicago, and Charlotte. Mr. Griffin's investment banking experience consists primarily of executing and originating mergers and acquisitions and corporate finance transactions. We believe Mr. Griffin is qualified to serve on our Board of Directors because of his extensive finance and valuation experience, his knowledge of the healthcare industry, and his extensive background in working with middle market companies in an M&A and advisory capacity.

*John E. Jackson* is the President and Chief Executive Officer of Spartan Energy Partners, LP, a gas gathering, treating and processing company. He has also been a director of Seitel, Inc., a privately owned provider of onshore seismic data to the oil and gas industry in North America, since August 2007, CONE Midstream Partners, LP (NYSE: CNNX), a master limited partnership that owns and operates natural gas gathering and other midstream energy assets in the Marcellus Shale in Pennsylvania and West Virginia, since January 2015, and Basic Energy Services, Inc. (NYSE: BAS), a provider of well site services in the United States to oil and natural gas drilling and producing companies, since December 2016. Mr. Jackson was Chairman, Chief Executive Officer and President of Price Gregory Services, Inc., a pipeline-related infrastructure service provider in North America, from February 2008 until its sale in October of 2009. He served as a director of Hanover Compressor Company ("Hanover"), now known as Exterran Corporation (NYSE: EXTN) and Archrock, Inc. (NYSE: AROC), from July 2004 until May 2010. Mr. Jackson also served as Hanover's President and Chief Executive Officer from October 2004 to August 2007 and as Chief Financial Officer from January 2002 to October 2004. He also serves on the board of several non-profit organizations. We believe Mr. Jackson's qualifications to serve on our Board of Directors include his extensive background in executive and director roles of public and private companies.

*Brian E. Lane* has served as Chief Executive Officer and President of Comfort Systems USA, Inc. (NYSE: FIX), a leading provider of commercial, industrial and institutional heating, ventilation and air conditioning ("HVAC") services, since December 2011 and as a director of Comfort Systems since November 2010. Mr. Lane served as Comfort Systems' President and Chief Operating Officer from March 2010 until December 2011. Mr. Lane joined Comfort Systems in October 2003 and served as Vice President and then Senior Vice President for Region One until he was named Executive Vice President and Chief Operating Officer in January 2009. Prior to joining Comfort Systems, Mr. Lane spent fifteen years at Halliburton Company (NYSE: HAL), a global service and equipment company devoted to energy, industrial, and government customers. During his tenure at Halliburton, he held various positions in business development, strategy and project initiatives, and he departed as the Regional Director of Europe and Africa. Mr. Lane's additional experience included serving as a Regional Director of Capstone Turbine Corporation (NASDAQ: CPST), a distributed power manufacturer. He also was a Vice President of Kvaerner, an international engineering and construction company, where he focused on the chemical industry. Mr. Lane is also a member of the Board of Directors of Griffen Dewatering Corporation, a privately held company. Mr. Lane earned a Bachelor of Science in Chemistry from the University of Notre Dame and his MBA from Boston College. We

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believe Mr. Lane is qualified to serve on our Board of Directors because of his background in executive and director roles of public and private companies and his extensive knowledge of the construction and industrial services industries.

*Stephen B. Solcher* has served as the Senior Vice President of Finance and Business Operations and Chief Financial Officer of BMC Software, Inc., a privately held company that is a global leader in software solutions, since 2005. Previously, Mr. Solcher served as BMC's Treasurer and Vice President of Finance. He joined BMC in 1991 as Assistant Treasurer and became Treasurer the following year. During Mr. Solcher's tenure, BMC grew from nearly \$130 million in annual revenue to \$2.2 billion in annual revenue in 2013, its last year operating as a public company. In addition to leading many M&A transactions as Chief Financial Officer, Mr. Solcher was instrumental in BMC's transition from being a publicly traded company to becoming a private held company in 2013. Prior to joining BMC, he was employed by Arthur Andersen as a certified public accountant. Mr. Solcher also serves on the development board of the Mays Business School at Texas A&M University and has served on the board of numerous nonprofit organizations. He was recognized by Institutional Investor magazine as part of the "All American Executive Team" in 2010 and 2012 and by Houston Business Journal as 2012 Best CFO Large Public Company. We believe Mr. Solcher's qualifications to serve on our Board of Directors include his thorough knowledge of the information technology and software industries and his accounting, finance and M&A experience as a chief financial officer of a large public and private company qualifying him to be an audit committee financial expert.

***Interested Directors***

*Vincent D. Foster* has served as Chairman of Main Street's Board of Directors and Main Street's Chief Executive Officer since 2007 and also served as Main Street's President from 2012 until 2015. He has also been a member of our investment committee since its formation in 2007, a member of our credit committee since its formation in 2011 and a member of our executive committee since its formation in 2015. Mr. Foster also currently serves as a founding director of Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries, and a director of Team, Inc. (NYSE: TISI), which provides specialty contracting services to the petrochemical, refining, electric power and other heavy industries. He also served as a director of U.S. Concrete, Inc. (NASDAQ-CM: USCR) from 1999 until 2010, Carriage Services, Inc. (NYSE: CSV) from 1999 to 2011 and HMS Income Fund, Inc., a non-publicly traded business development company of which MSC Adviser I, LLC, a wholly owned subsidiary of Main Street, acts as the investment sub-adviser, from 2012 until 2013. In addition, Mr. Foster served as a founding director of the Texas TriCities Chapter of the National Association of Corporate Directors from 2004 to 2011. Mr. Foster, a certified public accountant, had a 19 year career with Arthur Andersen, where he was a partner from 1988-1997. Mr. Foster was the director of Andersen's Corporate Finance and Mergers and Acquisitions practice for the Southwest United States and specialized in working with companies involved in consolidating their respective industries. From 1997, Mr. Foster co-founded and has acted as co-managing partner or chief executive of several Main Street predecessor funds and entities, which are now subsidiaries of ours. We believe Mr. Foster is qualified to serve on our Board of Directors because of his intimate knowledge of our operations through his day-to-day leadership as Chief Executive Officer of Main Street, along with his comprehensive experience on other public Boards of Directors and his extensive experience in tax, accounting, mergers and acquisitions, corporate governance and finance.

***Non-Director Officers***

*Dwayne L. Hyzak* has served as President since 2015 and Chief Operating Officer and Senior Managing Director since 2014. Mr. Hyzak also serves as a member of our investment committee and our executive committee. Previously, he served as Chief Financial Officer and Senior Managing

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Director from 2011 and in other executive positions at Main Street since 2007. From 2002, Mr. Hyzak has also served as a Senior Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 2000 to 2002, Mr. Hyzak was a director of integration with Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries, where he was principally focused on the company's mergers and acquisitions and corporate finance activities. Prior to joining Quanta Services, Inc., Mr. Hyzak, a certified public accountant, was a manager with Arthur Andersen in its Transaction Advisory Services group.

*Curtis L. Hartman* has served as Vice Chairman since 2015 and Chief Credit Officer and Senior Managing Director since 2011. Mr. Hartman is also the chairman of our credit committee and a member of our investment committee and our executive committee. Previously, he served as Senior Vice President and in other executive positions at Main Street since 2007. From 2000, Mr. Hartman has also served as a Senior Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. Mr. Hartman also served on the Board of Directors of HMS Income Fund, Inc., a non-publicly traded business development company of which MSC Adviser I, LLC, a wholly owned subsidiary of Main Street, acts as the investment sub-adviser, from 2013 to April 2016. Mr. Hartman currently serves as an executive officer of the Small Business Investor Alliance (SBIA) and has been a member of SBIA's Board of Governors since 2011 where he previously chaired the BDC Committee. From 1999 to 2000, Mr. Hartman was a Director for Sterling City Capital, LLC, a private investment firm. Concurrently with joining Sterling City Capital, he joined United Glass Corporation, a Sterling City Capital portfolio company, as Director of Corporate Development. Prior to joining Sterling City Capital, Mr. Hartman, a certified public accountant, was a manager with PricewaterhouseCoopers LLP in its M&A/Transaction Services group and a senior auditor with Deloitte & Touche LLP in its Financial Assurance Group.

*David L. Magdol* has served as Vice Chairman since 2015 and Chief Investment Officer and Senior Managing Director since 2011. Mr. Magdol is also the chairman of our investment committee and a member of our executive committee. Previously, he served as Senior Vice President and in other executive positions at Main Street since 2007. From 2002, Mr. Magdol has served as a Senior Managing Director and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. Mr. Magdol joined Main Street from the investment banking group at Lazard Freres & Co. Prior to Lazard, he managed a portfolio of private equity investments for the McMullen Group, a private investment firm/family office capitalized by Dr. John J. McMullen, the former owner of the New Jersey Devils and the Houston Astros. Mr. Magdol began his career in the structured finance services group of JP Morgan Chase.

*Rodger A. Stout* has served as Executive Vice President since 2012 and is also a member of our credit committee. Previously, Mr. Stout served as Chief Accounting Officer and Secretary from 2007 to 2008, as Chief Compliance Officer and Treasurer from 2007 to 2012 and as Senior Vice President Finance and Administration from 2008 to 2012. From 2006, Mr. Stout has served as Executive Vice President and in other executive positions of several Main Street predecessor funds and entities, which are now subsidiaries of ours. From 2000 to 2006, Mr. Stout was senior vice president and chief financial officer for FabTech Industries, Inc., which was one of the largest domestic structural steel fabricating companies. From 1985 to 2000, he was a senior financial executive for Jerold B. Katz Interests. He held numerous positions over his 15 year tenure with this national scope financial services conglomerate. Those positions included director, executive vice president, senior financial officer and investment officer. Prior to 1985, Mr. Stout was an international tax executive in the oil and gas service industry.

*Jason B. Beauvais* has served as Senior Vice President, General Counsel, Chief Compliance Officer and Secretary since 2012. Previously, Mr. Beauvais served as Vice President, General Counsel and Secretary since 2008. From 2006 through 2008, Mr. Beauvais was an attorney with Occidental Petroleum Corporation (NYSE: OXY), an international oil and gas exploration and production

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company. Prior to joining Occidental Petroleum Corporation, Mr. Beauvais practiced corporate and securities law at Baker Botts L.L.P., where he primarily counseled companies in public issuances and private placements of debt and equity and handled a wide range of general corporate and securities matters as well as mergers and acquisitions.

*Brent D. Smith* has served as Chief Financial Officer and Treasurer since November 2014 and previously as Senior Vice President Finance since August 2014. Mr. Smith previously served as Executive Vice President, Chief Financial Officer and Treasurer of Cal Dive International, Inc. from 2010 through June 2014 and in various finance and accounting roles at Cal Dive from 2005 through 2010. On March 3 2015, Cal Dive and certain of its subsidiaries, excluding its foreign subsidiaries, filed for voluntary protection under Chapter 11 of the Bankruptcy Code. Prior to joining Cal Dive, Mr. Smith was a manager with FTI Consulting (NYSE: FCN). Prior to that, Mr. Smith, a certified public accountant, was employed as a senior auditor at Arthur Andersen LLP.

*Nicholas T. Meserve* has served as Managing Director on our middle market investment team since 2012. Mr. Meserve has also served on the Board of Directors of HMS Income Fund, Inc., a non-publicly traded business development company of which MSC Advisor I, LLC, a wholly owned subsidiary of Main Street, acts as the investment sub-advisor, since April 2016. Previously, from 2004 until 2012, Mr. Meserve worked at Highland Capital Management, LP, a large alternative credit manager, and certain of its affiliates, where he managed a portfolio of senior loans and high yield bonds across a diverse set of industries. Prior to Highland, he was a Credit Analyst at JP Morgan Chase & Co.

*K. Colton Braud, III* has served as a Managing Director on our lower middle market team since January 2017 and has been with the firm in Associate to Director roles since 2012. Prior to joining Main Street, Mr. Braud spent two years as an Associate at Wellspring Capital Management, a middle market private equity firm based in New York. While at Wellspring, Mr. Braud's responsibilities included evaluating leveraged buyout opportunities, conducting due diligence across a wide array of industries and portfolio management. Prior to Wellspring, Mr. Braud served as an Analyst at J.P. Morgan Securities Inc. in its Financial Sponsor Group.

*Shannon D. Martin* has served as Vice President, Chief Accounting Officer and Assistant Treasurer since 2012. From 2006 to 2012, Mr. Martin worked as an independent consultant and performed financial advisory services for several clients, including functioning as acting Chief Accounting Officer from 2008 to 2011 for EquaTerra, Inc. From 1999 to 2006, Mr. Martin was a director of accounting integration and audit with Quanta Services, Inc. (NYSE: PWR), which provides specialty contracting services to the power, natural gas and telecommunications industries, where he focused on the development of integrated accounting, business and information system processes and the company's acquisition and integration strategies. From 1992 to 1999, Mr. Martin, a certified public accountant, worked at Arthur Andersen as a manager in the Commercial Services group.

*Katherine S. Silva*, a certified public accountant, has served as Vice President since 2015, with responsibility for managing several administrative functions, and Assistant Treasurer since 2010. She also serves as special assistant to Mr. Foster. Ms. Silva has worked at Main Street since 2005 and holds a Bachelor of Arts in Journalism from the University of Georgia.

**CORPORATE GOVERNANCE**

We maintain a corporate governance section on our website which contains copies of the charters for the committees of our Board of Directors. The corporate governance section may be found at <http://mainstreetcapital.com> under "Corporate Governance Governance Docs" in the "Investors" section of our website. The corporate governance section contains the following documents, which are available

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in print to any stockholder who requests a copy in writing to Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., 8<sup>th</sup> Floor, Houston, Texas 77056:

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

In addition, our Code of Business Conduct and Ethics and our Corporate Governance and Stock Ownership Guidelines may be found at <http://mainstreetcapital.com> under "Corporate Governance Governance Docs" in the "Investors" section of our website and are available in print to any stockholder who requests a copy in writing. We intend to disclose any substantive amendments to, or waivers from, our Code of Business Conduct and Ethics within four business days of the waiver or amendment through a posting on our website.

**Director Independence**

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

Michael Appling Jr.  
Joseph E. Canon  
Arthur L. French  
J. Kevin Griffin  
John E. Jackson  
Brian E. Lane  
Stephen B. Solcher

Our Board of Directors considered certain portfolio investments and other transactions in which our independent directors may have had a direct or indirect interest, including the transactions, if any, described under the heading "Certain Relationships and Related Party Transactions" in evaluating each director's independence under the 1940 Act and applicable listing standards of the New York Stock Exchange, and the Board of Directors determined that no such transaction would impact the ability of any director to exercise independent judgment or impair his independence.

**Communications with the Board**

Stockholders or other interested persons may send written communications to the members of our Board of Directors, addressed to Board of Directors, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., 8<sup>th</sup> Floor, Houston, Texas 77056. All communications received in this manner will be delivered to one or more members of our Board of Directors.

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**Board Leadership Structure**

Mr. Foster currently serves as both our Chief Executive Officer and as the Chairman of our Board of Directors. As our Chief Executive Officer, Mr. Foster is an "interested person" under Section 2(a)(19) of the 1940 Act. The Board believes that the Company's Chief Executive Officer is currently best situated to serve as Chairman given his history with the Company, his deep knowledge of the Company's business and his extensive experience in managing private debt and equity investments in lower middle market companies and debt investments in middle market companies. The Company's independent directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings company-specific and industry-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution while facilitating effective, timely communication between management and the Board. At the present time, the independent directors feel that the combined Chairman and Chief Executive Officer responsibility is optimum for effective corporate governance.

Our Board of Directors designated Arthur L. French as Lead Independent Director to preside at all executive sessions of non-management directors. In the Lead Independent Director's absence, the remaining non-management directors may appoint a presiding director by majority vote. The non-management directors meet in executive session without management on a regular basis. The Lead Independent Director also has the responsibility of consulting with management on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman and Chief Executive Officer and facilitating collaboration and communication between the non-management directors and management. Stockholders or other interested persons may send written communications to Arthur L. French, addressed to Lead Independent Director, c/o Main Street Capital Corporation, Corporate Secretary's Office, 1300 Post Oak Blvd., 8<sup>th</sup> Floor, Houston, Texas 77056.

A key responsibility of the Board is to oversee the development of corporate plans and hold management accountable for the execution of major strategies. The Board believes the combined role of Chairman and Chief Executive Officer, together with the role of the Lead Independent Director, is in the best interest of our stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

**Board of Directors and its Committees**

*Board of Directors.* Our Board of Directors met four times and acted by unanimous written consent fourteen times during 2016. All directors attended 100% of the meetings of the Board of Directors and of the committees on which they served during 2016, and all eight directors attended the 2016 annual meeting of stockholders in person. Our Board of Directors expects each director to make a diligent effort to attend all Board and committee meetings, as well as each annual meeting of stockholders.

*Committees.* Our Board of Directors currently has, and appoints the members of, standing Audit, Compensation and Nominating and Corporate Governance Committees. Each of those committees is



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comprised entirely of independent directors and has a written charter approved by our Board of Directors. The current members of the committees are identified in the following table.

| Director            | Board Committees |              |                                     |
|---------------------|------------------|--------------|-------------------------------------|
|                     | Audit            | Compensation | Nominating and Corporate Governance |
| Michael Appling Jr. | ý                |              | ý                                   |
| Joseph E. Canon     |                  | ý            | Chair                               |
| Arthur L. French    |                  | Chair        |                                     |
| J. Kevin Griffin    | Chair            |              | ý                                   |
| John E. Jackson     | ý                | ý            |                                     |
| Brian E. Lane       |                  | ý            | ý                                   |
| Stephen B. Solcher  | ý                |              |                                     |

*Audit Committee.* During the year ended December 31, 2016, the Audit Committee met four times. The Audit Committee is responsible for selecting, engaging and discharging our independent accountants, reviewing the plans, scope and results of the audit engagement with our independent accountants, approving professional services provided by our independent accountants (as well as the compensation for those services), reviewing the independence of our independent accountants and reviewing the adequacy of our internal control over financial reporting. In addition, the Audit Committee is responsible for assisting our Board of Directors with its review and approval of the determination of the fair value of our investments. Our Board of Directors has determined that each of Messrs. Appling, Griffin, Jackson and Solcher is an "Audit Committee financial expert" as defined by the Securities and Exchange Commission, or the SEC. For more information on the backgrounds of these directors, see their biographical information under "Election of Directors" above.

*Compensation Committee.* During the year ended December 31, 2016, the Compensation Committee met four times and acted by unanimous written consent twice. The Compensation Committee determines the compensation and related benefits for our executive officers including the amount of salary, bonus and stock-based compensation to be included in the compensation package for each of our executive officers. In addition, the Compensation Committee assists the Board of Directors in developing and evaluating the compensation of our non-management directors and evaluating succession planning with respect to the chief executive officer and other key executive positions. The Compensation Committee has the authority to engage the services of outside advisers, experts and others as it deems necessary to assist the committee in connection with its responsibilities. The actions of the Compensation Committee are generally reviewed and ratified by the entire Board of Directors, except the employee director does not vote with respect to his compensation.

*Nominating and Corporate Governance Committee.* During the year ended December 31, 2016, the Nominating and Corporate Governance Committee met four times. The Nominating and Corporate Governance Committee is responsible for determining criteria for service on our Board of Directors, identifying, researching and recommending to the Board of Directors director nominees for election by our stockholders, selecting nominees to fill vacancies on our Board of Directors or a committee of the Board, developing and recommending to our Board of Directors any amendments to our corporate governance principles and overseeing the self-evaluation of our Board of Directors and its committees.

#### Compensation Committee Interlocks and Insider Participation

Each member of the Compensation Committee is independent for purposes of the applicable listing standards of the New York Stock Exchange. During the year ended December 31, 2016, no member of the Compensation Committee was an officer, former officer or employee of ours or had a relationship disclosable under "Certain Relationships and Related Party Transactions," except as

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disclosed therein. No interlocking relationship, as defined by the rules adopted by the SEC, existed during the year ended December 31, 2016 between any member of the Board of Directors or the Compensation Committee and an executive officer of Main Street.

**Director Nomination Process**

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

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

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

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

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

The Nominating and Corporate Governance Committee seeks to identify potential director candidates who will strengthen the Board of Directors and will contribute to the overall mix of general criteria identified above. In addition to the general criteria, the Nominating and Corporate Governance Committee considers specific criteria, such as particular skills, experiences (whether in business or in other areas such as public service, academia or scientific communities), areas of expertise, specific backgrounds, and other characteristics, that should be represented on the Board of Directors to enhance its effectiveness and the effectiveness of its committees. The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating and Corporate Governance Committee believe that it is essential that the Board members represent diverse experience and viewpoints and a diverse mix of the specific criteria above. The process of identifying potential director candidates includes establishing procedures for soliciting and reviewing potential nominees from directors and for advising those who suggest nominees of the outcome of such review. The Nominating and Corporate Governance Committee also has the authority to retain and terminate any search firm used to identify director candidates.

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

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director if elected. See "Stockholders' Proposals" in our 2017 proxy statement and our by-laws for other requirements of stockholder proposals.

The Nominating and Corporate Governance Committee will consider candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. The Nominating and Corporate Governance Committee also takes into account the contributions of incumbent directors as Board members and the benefits to us arising from their experience on our Board of Directors. Although the Nominating and Corporate Governance Committee will consider candidates identified by stockholders, the Nominating and Corporate Governance Committee may determine not to recommend those candidates to our Board of Directors, and our Board of Directors may determine not to nominate any candidates recommended by the Nominating and Corporate Governance Committee. None of the director nominees named in our 2017 proxy statement were nominated by stockholders.

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

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

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

Table of Contents**COMPENSATION OF DIRECTORS**

The following table sets forth the compensation that we paid during the year ended December 31, 2016 to our non-employee directors. Directors who are also employees of Main Street or any of its subsidiaries do not receive compensation for their services as directors.

**Director Compensation Table**

| Name                | Fees Earned or Paid in Cash(1) | Stock Awards(2) | Total      |
|---------------------|--------------------------------|-----------------|------------|
| Arthur L. French    | \$ 222,500                     | \$ 29,990       | \$ 252,490 |
| Michael Appling Jr. | 182,500                        | 29,990          | 212,490    |
| Joseph E. Canon     | 185,000                        | 29,990          | 214,990    |
| J. Kevin Griffin    | 200,000                        | 29,990          | 229,990    |
| John E. Jackson     | 185,000                        | 29,990          | 214,990    |
| Brian E. Lane       | 177,500                        | 29,990          | 207,490    |
| Stephen B. Solcher  | 177,500                        | 29,990          | 207,490    |

(1)

Non-employee directors may elect to defer a portion of their annual cash retainers under the Main Street Capital Corporation Deferred Compensation Plan (the "2015 Deferred Compensation Plan"). Amounts deferred under the plan earn a return based on the returns on certain investment alternatives permitted under the plan, including phantom Main Street stock units, as designated by the participant. The following table sets forth information regarding the activity during 2016 related to the accounts of our non-employee directors under the 2015 Deferred Compensation Plan:

| Name                | Aggregate Balance at December 31, 2015 | 2016 Director Contributions | 2016 Company Contributions | 2016 Aggregate Earnings | 2016 Aggregate Withdrawals/ Distributions | Aggregate Balance at December 31, 2016 |
|---------------------|--|-----------------------------|----------------------------|-------------------------|---|--|
| Arthur L. French    | \$ 217,351                             | \$ 75,000                   |                            | \$ 99,898               |   | \$ 392,249                             |
| Michael Appling Jr. | 192,831                                | 90,000                      |                            | 94,333                  |   | 377,164                                |
| Joseph E. Canon     | 244,073                                | 185,000                     |                            | 136,685                 |   | 565,758                                |
| J. Kevin Griffin    | 225,745                                | 100,000                     |                            | 105,001                 |   | 430,746                                |
| John E. Jackson     | 184,245                                | 70,000                      |                            | 86,244                  |   | 340,489                                |
| Brian E. Lane       | 33,820                                 | 70,000                      |                            | 29,727                  |   | 133,547                                |
| Stephen B. Solcher  | 38,651                                 | 88,750                      |                            | 36,102                  |   | 163,503                                |

(2)

Each of Messrs. French, Appling, Canon, Griffin, Jackson, Lane and Solcher received an award of 964 restricted shares on May 3, 2016 under the Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan (the "Non-Employee Director Plan"), which will vest 100% on May 1, 2017, the day of the annual meeting since the prior day is not a business day, provided that the grantee has been in continuous service as a member of the Board through such date. These amounts represent the grant date fair value of the 2016 stock awards in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the date of grant. Dividends paid on restricted stock awards are reflected in the grant date fair value and, therefore, are not shown in the table. Pursuant to SEC rules, the amounts shown exclude the impact of any estimated forfeitures related to service-based vesting conditions. These amounts may not correspond to the actual value that will be recognized by our directors upon vesting. Each of Messrs. French, Appling, Canon, Griffin, Jackson, Lane and Solcher had 964 unvested shares of restricted stock outstanding as of December 31, 2016. Please see the discussion of the assumptions made in the valuation of these awards in Note M to the audited consolidated financial statements included in this prospectus.

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The compensation for non-employee directors for 2016 was comprised of cash compensation paid to or earned by directors in connection with their service as a director. That cash compensation consisted of an annual retainer of \$165,000, and an additional \$40,000 retainer for the Lead Independent Director. Non-employee directors do not receive fees based on meetings attended absent circumstances that require an exceptionally high number of meetings within an annual period. We also reimburse our non-employee directors for all reasonable expenses incurred in connection with their service on our Board. The chairs of our Board committees and members of the Audit Committee received additional annual retainers for 2016 as follows:

the chair of the Audit Committee: \$30,000;

members of the Audit Committee: \$12,500;

the chair of the Compensation Committee: \$17,500;

members of the Compensation Committee: \$7,500;

the chair of the Nominating and Corporate Governance Committee: \$12,500; and

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

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

In November 2015, our Board of Directors approved and adopted the 2015 Deferred Compensation Plan. The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the Deferred Compensation Plan for Non-Employee Directors previously adopted and approved by the Board in 2013. 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.

For the beneficial ownership of our common stock by each of our directors and the dollar range value of such ownership, please see "Control Persons and Principal Stockholders".

**COMPENSATION DISCUSSION AND ANALYSIS**

The following Compensation Discussion and Analysis, or CD&A, provides information relating to the 2016 compensation of Main Street's Named Executive Officers, or NEOs, for 2016, who were:

Vincent D. Foster, Chairman and Chief Executive Officer;

Dwayne L. Hyzak, President, Chief Operating Officer and Senior Managing Director;

Curtis L. Hartman, Vice Chairman, Chief Credit Officer and Senior Managing Director;

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David L. Magdol, Vice Chairman, Chief Investment Officer and Senior Managing Director; and

Brent D. Smith, Chief Financial Officer and Treasurer.

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**Compensation Philosophy and Objectives**

The Main Street compensation system was developed by the Compensation Committee and approved by all independent directors. The system is designed to attract and retain key executives, motivate them to achieve the Company's business objectives and reward them for performance while aligning management's interests with those of the Company's stockholders. The structure of Main Street's incentive compensation programs is formulated to encourage and reward the following, among other things:

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

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

attainment of superior risk-adjusted returns on the Company's investment portfolio; and

professional development and growth of individual executives, the management team and other employees.

The Compensation Committee has the primary authority to establish compensation for the NEOs and other key employees and administers all executive compensation arrangements and policies. Main Street's Chief Executive Officer assists the Committee by providing recommendations regarding the compensation of NEOs and other key employees, excluding himself. The Committee exercises its discretion by modifying or accepting these recommendations. The Chief Executive Officer routinely attends a portion of the Committee meetings. However, the Committee often meets in executive session without the Chief Executive Officer or other members of management when discussing compensation matters and on other occasions as determined by the Committee.

The compensation packages for Main Street NEOs and other key employees are structured to reflect the Compensation Committee's commitment to corporate governance best practices and performance-oriented executive compensation. Specifically, the Compensation Committee has implemented the following practices for NEOs and other key employees:

no employment agreements;

no cash severance benefits;

no supplemental defined benefit pensions;

no perquisite allowances; and

no tax gross-up payments.

The Compensation Committee takes into account competitive market practices with respect to the salaries and total direct compensation of the NEOs and other key employees. Members of the Committee consider market practices by reviewing public and non-public information for executives at comparable companies and funds. The Committee also has the authority to utilize compensation consultants to better understand competitive pay practices and has retained such expertise in the past.

**Independent Compensation Consultant**

The Compensation Committee has from time to time engaged Deloitte Consulting LLP ("Deloitte") as an independent compensation consultant to assist the Committee and provide advice on a variety of compensation matters relating to NEO, other key employee and independent director compensation, incentive compensation plans and compensation trends, regulatory matters and compensation planning best practices. The compensation consultant was hired by and reports directly to the Compensation Committee. Although the compensation

consultant may work directly with management on behalf of the Compensation Committee, any such work is under the control and



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supervision of the Compensation Committee. The total amount of fees paid or to be paid to Deloitte for compensation consulting services during fiscal 2016 was approximately \$30,959.

During fiscal 2016, the Company's management also retained Deloitte and its affiliates to provide certain other services to the Company. These other services included (i) tax services and other tax-related services and (ii) portfolio valuation consulting services. The total amount paid or to be paid for such services (excluding the services as consultant to the Compensation Committee as discussed above) to Deloitte and its affiliates during fiscal 2016 was approximately \$909,734. Deloitte was engaged directly by management to provide these other services and, accordingly, Deloitte's engagement for these other services was not formally approved by the Board of Directors or by the Compensation Committee. The Compensation Committee believes that, given their nature and scope, these additional services did not raise a conflict of interest and did not impair Deloitte's ability to provide independent advice to the Compensation Committee concerning executive compensation matters. In making this determination, the Compensation Committee considered, among other things, the following factors when selecting Deloitte to provide compensation consulting services: (i) the types of non-compensation services provided by Deloitte, (ii) the amount of fees for such non-compensation services, noting in particular that such fees are negligible when considered in the context of Deloitte's total revenues for the period, (iii) Deloitte's policies and procedures concerning conflicts of interest, (iv) Deloitte's representatives who advise the Compensation Committee do not provide any non-compensation related services to the Company, (v) there are no other business or personal relationships between the Company's management or members of the Compensation Committee, on the one hand, and any Deloitte representatives who provide compensation consulting services to the Company, on the other hand, and (vi) neither Deloitte nor any of the Deloitte representatives who provide compensation services to the Company own any common stock or other securities of the Company.

**Assessment of Market Data**

In assessing the competitiveness of executive compensation levels, the Compensation Committee analyzes market data of certain companies, including internally managed business development companies, or BDCs, private equity firms and other asset management and financial services companies. This analysis focuses on key elements of compensation practices in general, and more specifically, the compensation practices at companies and funds reasonably comparable in asset size, typical investment size and type, market capitalization and general business scope as compared to the Company.

As regards other internally managed BDCs like Main Street, the Compensation Committee considers the compensation practices and policies pertaining to executive officers as detailed in their company's respective proxies, research analysts' reports and other publicly available information. However, there are relatively few internally managed BDCs and none that are directly comparable to the Company as regards business strategies, assets under management, typical investment size and type and market capitalization. Moreover, regarding the compensation and retention of executive talent, the Company also competes with private equity funds, mezzanine debt funds, hedge funds and other types of specialized investment funds. Since these funds are generally private companies that are not required to publicly disclose their executive compensation practices and policies, the Committee relies on third party compensation surveys as well as other available information to compare compensation practices and policies.

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Items taken into account from comparable companies and funds include, but are not necessarily limited to, base compensation, bonus compensation, stock option awards, restricted stock awards, carried interest and other compensation. In addition to actual levels of cash and equity related compensation, the Compensation Committee also considers other approaches comparable companies are taking with regard to overall executive compensation practices. Such items include, but are not necessarily limited to, the use of employment agreements for certain employees, the mix of cash and equity compensation, the use of third party compensation consultants and certain corporate and executive performance measures that are established to achieve longer term total return for stockholders. Finally, in addition to analyzing comparable companies and funds, the Committee also evaluates the relative cost structure of the Company as compared to the entire BDC sector, including internally and externally managed BDCs, as well as other private funds.

**Assessment of Company Performance**

The Compensation Committee believes that sustained financial performance coupled with consistent stockholders' returns as well as proportional employee compensation are essential components for Main Street's long-term business success. Main Street typically makes three to seven year investments in its portfolio companies. However, the Company's business plan involves taking on investment risks over a range of time periods. Accordingly, much emphasis is focused on maintaining the stability of net asset values as well as the continuity of earnings to pass through to stockholders in the form of recurring dividends. The quality of the earnings supporting the dividends as well as the maintenance and growth of dividends are key metrics in the Committee's assessment of financial performance.

Main Street's primary strategy is to generate current income from debt investments and to realize capital gains from equity-related investments. This income supports the payment of dividends to stockholders. The recurring payment of dividends requires a methodical investment acquisition approach and active monitoring and management of the investment portfolio over time. A meaningful part of the Company's employee base is dedicated to the maintenance of asset values and expansion of this recurring income to sustain and grow dividends. The Committee believes that stability of the management team is critical to achieving successful implementation of the Company's strategies. Further, the Committee, in establishing and assessing executive salary and performance incentives, is more focused on Main Street results as compared to its business objectives rather than the performance of Main Street relative to other comparable companies or industry metrics.

**Executive Compensation Components**

For 2016, the components of Main Street's direct compensation program for NEOs included:

base salary;

annual cash bonuses;

long-term compensation pursuant to the 2015 Equity and Incentive Plan; and

other benefits.

The Compensation Committee designs each NEO's direct compensation package to appropriately reward the NEO for his or her contribution to the Company. The judgment and experience of the Committee are weighed with individual and Company performance metrics and consultation with the Chief Executive Officer (except with respect to himself) to determine the appropriate mix of compensation for each individual. The Compensation Committee does not target a specific level of compensation relative to market practice, and only uses such data as a reference point when establishing compensation levels for NEOs. Cash compensation consisting of base salary and discretionary bonuses tied to achievement of individual performance goals that are reviewed and

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approved by the Committee, as well as corporate objectives, are intended to motivate NEOs to remain with the Company and work to achieve expected business objectives. Stock-based compensation is awarded based on performance expectations approved by the Committee for each NEO. The blend of short-term and long-term compensation may be adjusted from time to time to balance the Committee's views regarding the benefits of current cash compensation and appropriate retention incentives.

***Base Salary***

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

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

***Annual Cash Bonuses***

Annual cash bonuses are intended to reward individual performance on an annual basis and can therefore be variable from year to year. Cash bonus awards for the NEOs are determined by the Compensation Committee on a discretionary basis based on performance criteria, particularly the company's dividend performance as well as corporate and individual performance goals and other measures established by the Committee with the Chief Executive Officer's input (except with respect to his own performance criteria). Should actual performance exceed expected performance criteria, the Committee may adjust individual cash bonuses to take such superior performance into account.

***Long-Term Incentive Awards***

Main Street's Board of Directors and stockholders approved the 2015 Equity and Incentive Plan in May 2015 to provide stock-based awards as long-term incentive compensation to employees, including the NEOs. The Company uses stock-based awards to (i) attract and retain key employees, (ii) motivate employees by means of performance-related incentives to achieve long-range performance goals, (iii) enable employees to participate in the Company's long-term growth in value and (iv) link employees' compensation to the long-term interests of stockholders. At the time of each award, the Compensation Committee will determine the terms of the award, including any performance period (or periods) and any performance objectives relating to vesting of the award. Prior to the adoption of the 2015 Equity and Incentive Plan, stock-based awards to employees were made under and are governed by the 2008 Equity Incentive Plan. Terms of the 2008 Equity Incentive Plan are substantially similar to the 2015 Equity and Incentive Plan. After adoption of the 2015 Equity and Incentive Plan no further awards have or will be granted under the 2008 Equity Incentive Plan.

***Restricted Stock.*** Main Street has received exemptive relief from the SEC that permits the Company to grant restricted stock in exchange for or in recognition of services by its executive officers and employees. Pursuant to the 2015 Equity and Incentive Plan, the Compensation Committee may award shares of restricted stock to plan participants in such amounts and on such terms as the Committee determines in its sole discretion, provided that such awards are consistent with the conditions set forth in the SEC's exemptive order. Each restricted stock grant will be for a fixed number of shares as set forth in an award agreement between the grantee and Main Street. Award

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agreements will set forth time and/or performance vesting schedules and other appropriate terms and/or restrictions with respect to awards, including rights to dividends and voting rights. Beginning in 2015, the Committee awarded restricted stock awards to employees, including NEOs, which vest in equal increments over a three year time frame based on continued service during the vesting period. The Committee's previous practice had been to award restricted stock to employees which vested over a four year time frame. The change to the vesting period was made to be more closely aligned with comparable companies.

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

***Other Benefits***

Main Street's NEOs participate in the same benefit plans and programs as the Company's other employees, including comprehensive medical, dental and vision insurance, short term and long term disability insurance and life insurance.

Main Street maintains a 401(k) plan for all full-time employees who are at least 21 years of age through which the Company makes non-discretionary matching contributions to each participant's plan account on the participant's behalf. For each participating employee, the Company's contribution is a 100% match of the employee's contributions up to a 3% contribution level and a 50% match of the employee's contributions from a 3% to a 6% contribution level, with a maximum annual regular matching contribution of \$11,925 during 2016. All contributions to the plan, including those made by the Company, vest immediately. The Board of Directors may also, at its sole discretion, provide that the Company will make additional contributions to employee 401(k) plan accounts, which would also vest immediately.

In November 2015, our Board of Directors approved and adopted the 2015 Deferred Compensation Plan to allow non-employee directors and certain key employees, including each of the NEOs, to defer receipt of some or all of their cash compensation, subject to certain limitations. Although not currently anticipated and subject to prior Compensation Committee approval, discretionary employer contributions are also permitted to the 2015 Deferred Compensation Plan. 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. The 2015 Deferred Compensation Plan became effective on January 1, 2016.

***Perquisites***

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

**Potential Payments Upon Change in Control or Termination of Employment**

Unless the terms of an award provide otherwise, in the event of a specified transaction involving a "change in control" (as defined in the 2015 Equity and Incentive Plan) in which there is an acquiring or surviving entity, the Board of Directors may provide for the assumption of some or all outstanding awards, or for the grant of substitute awards, by the acquirer or survivor. In the event no such

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assumption or substitution occurs, each stock-based award, subject to its terms, will become fully vested or exercisable prior to the change in control on a basis that gives the holder of the award a reasonable opportunity, as determined by the Board of Directors, to participate as a stockholder in the change in control following vesting or exercise. The award will terminate upon consummation of the change in control.

Transactions involving a "change in control" under the 2015 Equity and Incentive Plan include the following, other than where Main Street's stockholders continue to have substantially the same proportionate ownership in an entity which owns substantially all of Main Street's assets immediately following such transaction:

a single person or entity or group of persons and/or entities, other than Main Street, any of its employee benefit plans, a company owned by Main Street's stockholders in substantially the same proportions as their ownership in Main Street or an underwriter temporarily holding securities pursuant to an offering by Main Street, becomes the beneficial owner of more than 30% of the combined voting power of Main Street's voting securities then outstanding;

a change in the membership of the Board of Directors such that the individuals who, as of the effective date of the 2015 Equity and Incentive Plan, constitute the Board of Directors (the "Continuing Directors"), and any new director whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the Continuing Directors, cease to constitute at least a majority of the Board;

a merger, reorganization or business combination of Main Street or one of its subsidiaries with or into any other entity, other than where the holders of Main Street's voting securities outstanding immediately before such transaction would represent immediately thereafter more than a majority of the combined voting power of the voting securities of Main Street or the surviving entity or the parent of such surviving entity;

a sale or disposition of all or substantially all of Main Street's assets, other than where the holders of Main Street's voting securities outstanding immediately before such transaction hold securities immediately thereafter which represent more than a majority of the combined voting power of the voting securities of the acquirer or the parent of such acquirer of such assets;  
or

Main Street's stockholders approve a plan of complete liquidation or dissolution of Main Street.

Our restricted stock awards also provide that upon a participant's death, disability, involuntary termination without cause or voluntary termination with good reason (each as defined in the award agreement), the unvested shares of restricted stock will fully vest. The number of shares and value of unvested restricted stock for each NEO as of December 31, 2016 that would have vested under the acceleration scenarios described above is shown under "Compensation of Executive Officers Outstanding Equity Awards at Fiscal Year-End."

In addition, NEOs who participate in the 2015 Deferred Compensation Plan could receive a distribution of their balances in that plan in connection with their death, disability or termination of employment, depending on their distribution elections under the plan. The aggregate balance in the 2015 Deferred Compensation Plan of each NEO as of December 31, 2016 is shown under "Compensation of Executive Officers Nonqualified Deferred Compensation."

Other than the accelerated vesting of restricted stock and amounts due under the 2015 Deferred Compensation Plan, we would not incur any other payment obligations to our NEOs in the event of a change in control or any of the aforementioned causes of termination of employment.

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**1940 Act Restrictions on Company Performance Based Compensation**

The 1940 Act provides that a BDC such as Main Street may maintain either an equity incentive plan or a "profit-sharing plan", but not both, for its NEOs and other employees. The Compensation Committee believes that equity incentives strongly align the interests of NEOs and employees with those of the Company's stockholders. Accordingly, Main Street has adopted and maintained equity incentive plans for its NEOs and employees since 2008. As a result, the 1940 Act prohibits Main Street from having a "profit-sharing plan."

The term "profit-sharing plan" is defined very broadly in the 1940 Act but in this context is generally viewed as referring to incentive and other compensation being directly tied to a company's gross or net income or any other indicia of the company's overall financial performance, such as realized gains or losses and unrealized appreciation or depreciation on investments. In this regard, the SEC has indicated that a compensation program possesses profit-sharing characteristics if a company is obligated to make payments under the program based on company performance metrics.

Due to these restrictions imposed by the 1940 Act, the Compensation Committee is not permitted to use nondiscretionary or formulaic Company performance goals or criteria to determine executive incentive compensation. Instead, the committee considers overall company performance along with other factors, including individual performance criteria, and uses its discretion in determining the appropriate compensation for NEOs and other key employees. The Compensation Committee's objective is to work within the 1940 Act regulatory framework to establish appropriate compensation levels, maintain pay-for-performance alignment and implement compensation best practices.

**Tax Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code of 1986 generally disallows a deduction to public companies to the extent of excess annual compensation over \$1 million paid to certain executive officers, except for qualified performance-based compensation. Main Street's general policy, where consistent with business objectives, is to preserve the deductibility of executive officer compensation. However, the Compensation Committee may authorize amounts and forms of compensation that might not be deductible if the Committee deems such to be in the best interests of Main Street and its stockholders.

**Stockholder Advisory Vote on Executive Compensation**

At our 2014 annual meeting of stockholders, our stockholders provided an advisory vote with 93% of the votes cast approving our compensation philosophy, policies and procedures and the 2013 fiscal year compensation of our NEOs (the "Advisory Vote"). Subsequently, the Compensation Committee considered the results of the Advisory Vote in determining compensation policies and decisions of the Company. The Advisory Vote affected the Company's executive compensation decisions and policies by reaffirming the Company's compensation philosophies, and the Compensation Committee will continue to use these philosophies and past practice in determining future compensation decisions.

**2016 Compensation Determination**

The Compensation Committee analyzed the competitiveness of the components of compensation described above on both an individual and aggregate basis. The Committee believes that the total compensation paid to the NEOs for the fiscal year ended December 31, 2016, is consistent with the overall objectives of Main Street's executive compensation program.

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***Base Salary***

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

In 2016, the Compensation Committee approved base salary increases for each NEO in recognition each NEO's and the Company's performance for the year and also to more closely align each NEO's compensation with similar executive officers of comparable companies.

The amount of annual base salary paid to each NEO for 2016 is presented under the caption entitled "Compensation of Executive Officers Summary Compensation Table." The Committee believes that the salary changes and resulting base salaries were competitive in the market place and appropriate for Main Street executives as a key component of an overall compensation package.

***Annual Cash Incentive Bonus***

Cash bonuses are determined annually by the Compensation Committee and are based on individual and corporate performance objectives coupled with Committee discretion as appropriate. The 2016 performance criteria used for determining the cash bonuses for NEOs included, among other things, the following:

Achievement of corporate objectives, particularly those related to the maintenance and growth of dividends and preservation of capital through maintenance and growth of net asset value per share;

Individual performance and achievement of individual goals, as well as the contribution to corporate objectives;

Maintaining liquidity and capital flexibility to accomplish the Company's business objectives;

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

Appropriate and planned development of personnel.

The Company paid cash bonuses to NEOs for 2016 performance in recognition of Main Street's strong financial results, including total stockholder return of 37.4%. Each individual NEO contributed significantly to the Company's performance. Major achievements considered by the Compensation Committee included increased distributable net investment income per share, increased regular monthly dividends per share, total stockholder return versus comparable companies and the market in general, increased net asset value per share, growth of the investment portfolio, continuation of the Company's low total operating cost structure in comparison to peer organizations, maintaining an investment grade rating from Standard & Poor's Ratings Services, low employee turnover, expansion of the Company's third party asset management business and development of talented personnel. The Compensation Committee did not weight these achievements and used discretion in determining the cash bonus amount allocated to each executive. In summary, the performance of each individual NEO and the management team overall was at a consistent high level in 2016 resulting in excellent financial results.

The amount of cash bonus paid to each NEO for 2016 is presented under the caption entitled "Compensation of Executive Officers Summary Compensation Table." The Committee believes that these cash bonus awards are individually appropriate based on 2016 performance. Such bonuses comprise a key component of the Company's overall compensation program.

Table of Contents***Long-Term Incentive Awards***

The Company granted restricted shares to our NEOs in 2016 to recognize individual contributions to corporate strategic priorities and to the long-term performance of the Company. Other objectives of restricted stock awards were to assist with retention, align NEO interests with stockholders' and to provide competitive total direct compensation. Contributions to the future success of the Company include expanded roles of NEOs within the Company, recruitment and development of personnel, advancement of strategic initiatives with benefits beyond the current year, development of appropriate capital structure alternatives and enhancement of the Company's reputation with key constituents.

The amount of restricted shares granted to each NEO in 2016 is presented under the caption entitled "Compensation of Executive Officers Grants of Plan-Based Awards." The Committee is currently assessing the potential for long-term incentive compensation through grants of restricted shares to our NEOs for 2017, which are expected to be awarded in April 2017.

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table summarizes the compensation of our Named Executive Officers, or NEOs, for the fiscal year ended December 31, 2016.

**Summary Compensation Table**

| <b>Name and Principal Position</b>  | <b>Year</b> | <b>Salary</b> | <b>Bonus(1)</b> | <b>Stock Awards(2)</b> | <b>All Other Compensation(3)</b> | <b>Total</b> |
|---|-------------|---------------|-----------------|------------------------|----------------------------------|--------------|
| Vincent D. Foster<br>Chairman and Chief Executive Officer                               | 2016        | \$ 586,250    | \$ 1,325,000    | \$ 1,605,277           | \$ 11,925                        | \$ 3,528,452 |
|   | 2015        | 568,750       | 1,300,000       | 1,556,595              | 11,925                           | 3,437,270    |
|   | 2014        | 536,250       | 1,100,000       | 1,408,761              | 11,700                           | 3,056,711    |
| Dwayne L. Hyzak<br>President, Chief Operating Officer and<br>Senior Managing Director   | 2016        | \$ 498,750    | \$ 1,000,000    | \$ 1,172,125           | \$ 11,925                        | \$ 2,682,800 |
|   | 2015        | 435,000       | 850,000         | 1,154,887              | 11,925                           | 2,451,812    |
|   | 2014        | 377,500       | 675,000         | 1,056,563              | 11,700                           | 2,120,763    |
| Curtis L. Hartman<br>Vice Chairman, Chief Credit Officer and Senior Managing Director   | 2016        | \$ 361,250    | \$ 525,000      | \$ 815,397             | \$ 11,925                        | \$ 1,713,572 |
|   | 2015        | 332,500       | 625,000         | 803,416                | 11,925                           | 1,772,841    |
|   | 2014        | 318,750       | 510,000         | 603,755                | 11,700                           | 1,444,205    |
| David L. Magdol<br>Vice Chairman, Chief Investment Officer and Senior Managing Director | 2016        | \$ 361,250    | \$ 575,000      | \$ 815,397             | \$ 11,925                        | \$ 1,763,572 |
|   | 2015        | 332,500       | 575,000         | 753,179                | 11,925                           | 1,672,604    |
|   | 2014        | 318,750       | 440,000         | 905,648                | 11,700                           | 1,676,098    |
| Brent D. Smith<br>Chief Financial Officer and Treasurer                                 | 2016        | \$ 300,000    | \$ 415,000      | \$ 509,607             | \$ 11,925                        | \$ 1,236,532 |
|   | 2015        | 282,500       | 400,000         |                        | 11,925                           | 694,425      |
|   | 2014        | 96,955        | 150,000         | 434,780                | 4,837                            | 686,572      |

(1) These amounts reflect annual cash bonuses earned by the NEOs based on individual and corporate performance as determined by the Compensation Committee.

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

(3) These amounts reflect employer matching contributions we made to each NEO's account in our 401(k) plan.





Table of Contents**Grants of Plan-Based Awards**

The following table sets forth information regarding restricted stock awards granted to our NEOs in fiscal 2016:

| Name              | Grant Date    | Stock Awards;<br>Number of<br>Shares of<br>Stock(1) | Grant Date<br>Fair Value<br>of Stock<br>Awards |
|-------------------|---------------|---|--|
| Vincent D. Foster | April 1, 2016 | 51,336  | \$ 1,605,277                                   |
| Dwayne L. Hyzak   | April 1, 2016 | 37,484  | 1,172,125                                      |
| Curtis L. Hartman | April 1, 2016 | 26,076  | 815,397  |
| David L. Magdol   | April 1, 2016 | 26,076  | 815,397  |
| Brent D. Smith    | April 1, 2016 | 16,297  | 509,607  |

- (1) Restricted stock grants to NEOs under the 2015 Equity and Incentive Plan in 2016 vest ratably over three years from the grant date, and all underlying shares are entitled to dividends and voting rights beginning on the grant date.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth the awards of restricted stock for which forfeiture provisions have not lapsed and remain outstanding at December 31, 2016:

| Name              | Stock Awards  |   |
|-------------------|---|---|
|                   | Number of<br>Shares of<br>Stock That<br>Have Not<br>Vested(1) | Market Value<br>of Shares of<br>Stock That<br>Have Not<br>Vested(2) |
| Vincent D. Foster | 118,854(3)  | \$ 4,370,262  |
| Dwayne L. Hyzak   | 88,293(4)   | 3,246,534   |
| Curtis L. Hartman | 60,281(5)   | 2,216,532   |
| David L. Magdol   | 64,695(6)   | 2,378,835   |
| Brent D. Smith    | 20,769(7)   | 763,676   |

- (1) No restricted stock awards have been transferred.
- (2) The market value of shares of stock that have not vested was determined based on the closing price of our common stock on the New York Stock Exchange at December 31, 2016.
- (3) 33,947 shares will vest on April 1, 2017; 22,659 shares will vest on June 20, 2017; 33,948 shares will vest on April 1, 2018; 11,188 shares will vest on June 20, 2018; and 17,112 shares will vest on April 1, 2019, subject in each case to the NEO still being employed by us on the respective vesting date.
- (4) 24,985 shares will vest on April 1, 2017; 17,436 shares will vest on June 20, 2017; 24,986 shares will vest on April 1, 2018; 8,391 shares will vest on June 20, 2018; and 12,495 shares will vest on April 1, 2019, subject in each case to the NEO still being employed by us on the respective vesting date.
- (5) 17,381 shares will vest on April 1, 2017; 12,031 shares will vest on June 20, 2017; 17,382 shares will vest on April 1, 2018; 4,795 shares will vest on June 20, 2018; and 8,692 shares will vest on April 1, 2019, subject in each case to the NEO still being employed by us on the respective vesting date.



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- (6) 16,838 shares will vest on April 1, 2017; 15,134 shares will vest on June 20, 2017; 16,838 shares will vest on April 1, 2018; 7,193 shares will vest on June 20, 2018; and 8,692 shares will vest on April 1, 2019, subject in each case to the NEO still being employed by us on the respective vesting date.
- (7) 5,432 shares will vest on April 1, 2017; 4,472 shares will vest on June 20, 2017; 5,432 shares will vest on April 1, 2018; and 5,433 shares will vest on April 1, 2019, subject in each case to the NEO still being employed by us on the respective vesting date.

**Equity Awards Vested in Fiscal Year**

The following table sets forth information regarding shares of restricted stock for which forfeiture restrictions lapsed during the fiscal year ended December 31, 2016:

| Name              | Stock Awards                            |                              |
|-------------------|---|------------------------------|
|                   | Number of Shares Acquired on Vesting(1) | Value Realized on Vesting(2) |
| Vincent D. Foster | 45,551                                  | \$ 1,478,079                 |
| Dwayne L. Hyzak   | 33,903                                  | 1,100,189                    |
| Curtis L. Hartman | 23,928                                  | 776,725                      |
| David L. Magdol   | 26,488                                  | 862,579                      |
| Brent D. Smith    | 4,472                                   | 148,202                      |

- (1) Number of shares acquired upon vesting is before withholding of vesting shares by the Company to satisfy tax withholding obligations.
- (2) Value realized upon vesting is based on the closing price of our common stock on the vesting date.

**Nonqualified Deferred Compensation**

The following table sets forth information regarding the activity during the fiscal year ended December 31, 2016 related to the accounts of our NEOs under the 2015 Deferred Compensation Plan:

| Name              | 2016 Executive Contributions(1) | 2016 Company Contributions | 2016 Aggregate Earnings(2) | 2016 Aggregate Withdrawals/ Distributions | Aggregate Balance at December 31, 2016(3) |
|-------------------|---------------------------------|----------------------------|----------------------------|---|---|
| Vincent D. Foster | \$ 58,625                       |                            | \$ 4,655                   |   | \$ 63,280                                 |
| Dwayne L. Hyzak   | 87,281                          |                            | 5,254                      |   | 92,535                                    |
| Curtis L. Hartman | 52,282                          |                            | 2,755                      |   | 55,037                                    |
| David L. Magdol   | 88,407                          |                            | 4,163                      |   | 92,570                                    |
| Brent D. Smith    | 32,676                          |                            | 852                        |   | 33,528                                    |

- (1) The 2016 Executive Contributions shown above include amounts reported in the "Salary" column of the Summary Compensation Table as follows: \$58,625 for Mr. Foster; \$87,281 for Mr. Hyzak; \$36,125 for Mr. Magdol. The remaining amounts included in 2016 Executive Contributions shown above represent contributions from dividends on unvested stock held by our NEOs. The dividends are not separately reported in the Summary Compensation Table but are included in the value shown in the "Stock Awards" column in the year of grant.
- (2)

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Represents earnings on the 2015 Deferred Compensation Plan during 2016. These amounts are not reported in the Summary Compensation Table.

- (3) These amounts represent the sum of the 2016 contributions and 2016 earnings. There are no prior year balances.

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In November 2015, our Board of Directors approved and adopted the 2015 Deferred Compensation Plan, an unfunded, nonqualified deferred compensation plan, to allow non-employee directors and certain key employees, including each of the NEOs, to defer receipt of some or all of their cash compensation, subject to certain limitations. Pursuant to the 2015 Deferred Compensation Plan, executives may contribute on a pre-tax basis up to 100% of their salary, bonus and dividends paid on shares of unvested Company stock. Although not currently anticipated and subject to prior Compensation Committee approval, discretionary employer contributions are also permitted to the 2015 Deferred Compensation Plan. 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. Amounts deferred under the plan earn a return based on the returns on certain investment alternatives permitted under the plan, including phantom Main Street stock units, as designated by the participant. The 2015 Deferred Compensation Plan became effective on January 1, 2016.

**Potential Payments Upon Change in Control or Termination of Employment**

As described in "Compensation Discussion and Analysis," our restricted stock awards to employees, including NEOs, provide that upon certain transactions involving a change in control, or upon a participant's death, disability, involuntary termination without cause or voluntary termination with good reason (each as defined in the award agreement), the unvested shares of restricted stock will fully vest. The number of shares and value of unvested restricted stock for each NEO as of December 31, 2016 that would have vested under the acceleration scenarios described above is shown under the heading " Outstanding Equity Awards at Fiscal Year-End."

In addition, NEOs who participate in the 2015 Deferred Compensation Plan could receive a distribution of their balances in that plan in connection with their death, disability or termination of employment, depending on their distribution elections under the plan. The aggregate balance in the 2015 Deferred Compensation Plan of each NEO as of December 31, 2016 is shown under the heading " Nonqualified Deferred Compensation."

Other than the accelerated vesting of restricted stock and amounts due under the 2015 Deferred Compensation Plan, we would not incur any other payment obligations to our NEOs in the event of a change in control or any of the aforementioned causes of termination of employment.

**Risk Management and Compensation Policies and Practices**

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

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

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

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

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

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

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

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

We have procedures in place for the review, approval and monitoring of transactions involving us and certain persons related to us. As a BDC, the 1940 Act restricts us from participating in transactions with any persons affiliated with us, including our officers, directors and employees and any person controlling or under common control with us, subject to certain exceptions.

In the ordinary course of business, we enter into transactions with portfolio companies that may be considered related party transactions. We have implemented certain policies and procedures, both written and unwritten, to ensure that we do not engage in any prohibited transactions with any persons affiliated with us. If such affiliations are found to exist, we seek Board and/or committee review and approval or exemptive relief for such transactions, as appropriate.

In addition, our code of business conduct and ethics, which is applicable to all of our employees, officers and directors, requires that all employees, officers and directors avoid any conflict, or the appearance of a conflict, between an individual's personal interests and our interests. Our code of business conduct and ethics is available at <http://mainstreetcapital.com> under "Corporate Governance Governance Docs" in the "Investors" section of our website.

**CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS**

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

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

each of our directors and executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no common stock subject to options that are currently exercisable or exercisable within 60 days of April 21, 2017. Percentage of beneficial ownership is based on 55,922,561 shares of common stock outstanding as of April 21, 2017.

Unless otherwise indicated, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder, and maintains an

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address c/o Main Street Capital Corporation. Our address is 1300 Post Oak Boulevard, 8<sup>th</sup> Floor, Houston, Texas 77056.

| Name   | Shares Owned<br>Beneficially |            |
|--|------------------------------|------------|
|  | Number                       | Percentage |
| <b>Independent Directors:</b>                                |                              |            |
| Michael Appling Jr.  | 115,987(1)                   | *          |
| Joseph E. Canon  | 58,237(2)                    | *          |
| Arthur L. French   | 58,081(3)                    | *          |
| J. Kevin Griffin   | 23,364(4)                    | *          |
| John E. Jackson  | 22,785(5)                    | *          |
| Brian E. Lane  | 5,840(6)                     | *          |
| Stephen B. Solcher   | 6,670(7)                     | *          |
| <b>Interested Directors:</b>                                 |                              |            |
| Vincent D. Foster  | 1,689,433(8)                 | 3.02%      |
| <b>Executive Officers:</b>                                   |                              |            |
| Dwayne L. Hyzak  | 325,426                      | *          |
| Curtis L. Hartman  | 252,819                      | *          |
| David L. Magdol  | 314,016                      | *          |
| Rodger A. Stout  | 163,971(9)                   | *          |
| Jason B. Beauvais  | 94,127                       | *          |
| Brent D. Smith   | 39,394                       | *          |
| Shannon D. Martin  | 36,583                       | *          |
| All Directors and Executive Officers as a Group (15 persons) | 3,206,733                    | 5.73%      |

\*  
Less than 1%

- (1) Includes 10,447 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (2) Includes 15,670 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (3) Includes 44,252 shares of common stock held by Flying F, LLC, which are beneficially owned by Mr. French, and 10,864 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (4) Includes 11,184 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (5) Includes 1,149 shares of common stock held by Mr. Jackson's wife and 9,431 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (6) Includes 3,699 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.



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- (7) Includes 4,529 phantom stock units under the 2015 Deferred Compensation Plan. The director has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.
- (8) Includes 105,100 shares of common stock held by family trusts for benefit of Mr. Foster's children. For each of these family trusts, Mr. Foster either acts as trustee or may from time to time direct the trustee to vote or dispose of these shares. Also includes 50,000 shares of common stock held in a charitable trust where Mr. Foster is a trustee and holds the remainder interest therein.
- (9) Includes 373 phantom stock units under the 2015 Deferred Compensation Plan and 12,500 shares of common stock pledged as collateral for a personal real estate loan. The participant has no investment or voting powers for phantom stock units held under the 2015 Deferred Compensation Plan.

The Board of Directors has established stock ownership guidelines pursuant to which independent directors and certain key employees, including each executive officer listed in the table above, are required to achieve and maintain minimum levels of stock ownership. Our Corporate Governance and Stock Ownership Guidelines may be found at <http://mainstcapital.com> under "Corporate Governance Governance Docs" in the "Investors" section of our website.

Our insider trading policy prohibits our directors, officers and employees from holding shares of our common stock or other securities issued by us in a margin account, hedging any such securities or pledging any such securities as collateral for a loan except in limited cases with the pre-approval of our chief compliance officer.

The following table sets forth, as of April 21, 2017, the dollar range of our equity securities that is beneficially owned by each of our directors.

|                               | <b>Dollar Range<br/>of Equity<br/>Securities<br/>Beneficially<br/>Owned(1)(2)(3)</b> |
|-------------------------------|--|
| <b>Interested Directors:</b>  |  |
| Vincent D. Foster             | over \$100,000   |
| <b>Independent Directors:</b> |  |
| Michael Appling Jr.           | over \$100,000   |
| Joseph E. Canon               | over \$100,000   |
| Arthur L. French              | over \$100,000   |
| J. Kevin Griffin              | over \$100,000   |
| John E. Jackson               | over \$100,000   |
| Brian E. Lane                 | over \$100,000   |
| Stephen B. Solcher            | over \$100,000   |

- (1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.
- (2) The dollar range of equity securities beneficially owned by our directors is based on the closing price of our common stock on the New York Stock Exchange of \$39.50 per share as of April 21, 2017.
- (3) The dollar ranges of equity securities beneficially owned are: none, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, or over \$100,000.

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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

Our stockholders may from time to time vote to allow us to issue common stock at a price below the net asset value (NAV) per share of our common stock. In such an approval, our stockholders may not specify a maximum discount below net asset value at which we are able to issue our common stock. In order to sell shares pursuant to such a stockholder authorization:

a majority of our independent directors who have no financial interest in the sale must have approved the sale; and

a majority of such directors, who are not interested persons of Main Street, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, must have determined in good faith, and as of a time immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of those shares, less any underwriting commission or discount.

We are also permitted to sell shares of common stock below NAV per share in rights offerings. Any offering of common stock below NAV per share will be designed to raise capital for investment in accordance with our investment objectives and business strategies.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors would consider a variety of factors including:

The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;

The relationship of recent market prices of our common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

Whether the proposed offering price would closely approximate the market value of our shares;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

The anticipated rate of return on and quality, type and availability of investments to be funded with the proceeds from the offering, if any; and

The leverage available to us, both before and after any offering, and the terms thereof.

We did not seek stockholder authorization to issue common stock at a price below net asset value per share at our 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 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, but we may seek such authorization at future annual meetings or special meetings of stockholders.

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Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

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The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different sets of investors:

existing stockholders who do not purchase any shares in the offering;

existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

**Impact on Existing Stockholders who do not Participate in the Offering**

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in four different hypothetical offerings of different sizes and levels of discount from NAV per share. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 1,000,000 common shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The current NAV and NAV per share are thus \$10,000,000 and \$10.00. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 50,000 shares (5% of the outstanding shares) at \$9.50 per share after offering expenses and commissions (a 5% discount from NAV), (2) an offering of 100,000 shares (10% of the outstanding shares) at \$9.00 per share after offering expenses and commissions (a 10% discount from NAV), (3) an offering of 250,000 shares (25% of the outstanding shares) at \$8.00 per share after offering expenses and commissions (a 20% discount from NAV) and (4) an offering of 250,000 shares (25% of the outstanding shares) at \$0.01 per share after offering expenses and commissions (a 100% discount from NAV). The prospectus supplement pursuant to which any discounted offering is made

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will include a chart based on the actual number of shares in such offering and the actual discount to the most recently determined NAV.

|   | Example 1<br>5% Offering at<br>5% Discount |                   |             | Example 2<br>10% Offering at<br>10% Discount |             | Example 3<br>25% Offering at<br>20% Discount |             | Example 4<br>25% Offering at<br>100% Discount |             |
|---|--|-------------------|-------------|--|-------------|--|-------------|---|-------------|
|   | Prior to<br>Sale Below<br>NAV              | Following<br>Sale | %<br>Change | Following<br>Sale                            | %<br>Change | Following<br>Sale                            | %<br>Change | Following<br>Sale                             | %<br>Change |
| <b>Offering Price</b>   |  |                   |             |  |             |  |             |   |             |
| Price per Share to Public(1)  |  | \$ 10.00          |             | \$ 9.47                                      |             | \$ 8.42                                      |             | \$ 0.01                                       |             |
| Net Proceeds per Share to Issuer  |  | \$ 9.50           |             | \$ 9.00                                      |             | \$ 8.00                                      |             | \$ 0.01                                       |             |
| <b>Increase in Shares and Decrease to NAV</b>   |  |                   |             |  |             |  |             |   |             |
| Total Shares Outstanding  | 1,000,000                                  | 1,050,000         | 5.00%       | 1,100,000                                    | 10.00%      | 1,250,000                                    | 25.00%      | 1,250,000                                     | 25.00%      |
| NAV per Share   | \$ 10.00                                   | \$ 9.98           | (0.20)%     | \$ 9.91                                      | (0.90)%     | \$ 9.60                                      | (4.00)%     | \$ 8.00                                       | (20.00)%    |
| <b>Dilution to Nonparticipating Stockholder A</b>   |  |                   |             |  |             |  |             |   |             |
| <b>Share Dilution</b>   |  |                   |             |  |             |  |             |   |             |
| Shares Held by Stockholder A  | 10,000                                     | 10,000            |             | 10,000                                       |             | 10,000                                       |             | 10,000  |             |
| Percentage Outstanding Held by Stockholder A  | 1.00%                                      | 0.95%             | (4.76)%     | 0.91%  | (9.09)%     | 0.80%  | (20.00)%    | 0.80%   | (20.00)%    |
| <b>NAV Dilution</b>   |  |                   |             |  |             |  |             |   |             |
| Total NAV Held by Stockholder A   | \$ 100,000                                 | \$ 99,800         | (0.20)%     | \$ 99,100                                    | (0.90)%     | \$ 96,000                                    | (4.00)%     | \$ 80,000                                     | (20.00)%    |
| Total Investment by Stockholder A (Assumed to be \$10.00 per Share)   | \$ 100,000                                 | \$ 100,000        |             | \$ 100,000                                   |             | \$ 100,000                                   |             | \$ 100,000                                    |             |
| Total Dilution to Stockholder A (Total NAV Less Total Investment)   |  | \$ (200)          |             | \$ (900)                                     |             | \$ (4,000)                                   |             | \$ (20,000)                                   |             |
| <b>NAV Dilution per Share</b>   |  |                   |             |  |             |  |             |   |             |
| NAV per Share Held by Stockholder A   |  | \$ 9.98           |             | \$ 9.91                                      |             | \$ 9.60                                      |             | \$ 8.00                                       |             |
| Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)     | \$ 10.00                                   | \$ 10.00          |             | \$ 10.00                                     |             | \$ 10.00                                     |             | \$ 10.00                                      |             |
| NAV Dilution per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)                 |  | \$ (0.02)         |             | \$ (0.09)                                    |             | \$ (0.40)                                    |             | \$ (2.00)                                     |             |
| Percentage NAV Dilution Experienced by Stockholder A (NAV Dilution per Share Divided by Investment per Share) |  |                   | (0.20)%     |  | (0.90)%     |  | (4.00)%     |   | (20.00)%    |

(1) Assumes 5% in selling compensation and expenses paid by us.

### Impact on Existing Stockholders who do Participate in the Offering

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution to such stockholders will decrease as the number of shares such stockholders purchase

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increases. Existing stockholders who buy more than their proportionate percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares purchased by such stockholder increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and the level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 25% offering at a 20% discount from the prior chart (Example 3) for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,250 shares, which is 0.5% of an offering of 250,000 shares rather than its 1.0% proportionate share) and (2) 150% of such percentage (i.e., 3,750 shares, which is 1.5% of an offering of 250,000 shares rather than its 1.0% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

|   | Prior to<br>Sale Below<br>NAV | 50% Participation |             | 150% Participation |             |
|---|-------------------------------|-------------------|-------------|--------------------|-------------|
|   |                               | Following<br>Sale | %<br>Change | Following<br>Sale  | %<br>Change |
| <b>Offering Price</b>   |                               |                   |             |                    |             |
| Price per Share to Public(1)  |                               | \$ 8.42           |             | \$ 8.42            |             |
| Net Proceeds per Share to Issuer  |                               | \$ 8.00           |             | \$ 8.00            |             |
| <b>Increase in Shares and Decrease to NAV</b>   |                               |                   |             |                    |             |
| Total Shares Outstanding  | 1,000,000                     | 1,250,000         | 25.00%      | 1,250,000          | 25.00%      |
| NAV per Share   | \$ 10.00                      | \$ 9.60           | (4.00)%     | \$ 9.60            | (4.00)%     |
| <b>Dilution/Accretion to Participating Stockholder A</b>  |                               |                   |             |                    |             |
| <b>Share Dilution/Accretion</b>   |                               |                   |             |                    |             |
| Shares Held by Stockholder A  | 10,000                        | 11,250            | 12.50%      | 13,750             | 37.50%      |
| Percentage Outstanding Held by Stockholder A  | 1.00%                         | 0.90%             | (10.00)%    | 1.10%              | 10.00%      |
| <b>NAV Dilution/Accretion</b>   |                               |                   |             |                    |             |
| Total NAV Held by Stockholder A   | \$ 100,000                    | \$ 108,000        | 8.00%       | \$ 132,000         | 32.00%      |
| Total Investment by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)                                  |                               | \$ 110,525        |             | \$ 131,575         |             |
| Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)   |                               | \$ (2,525)        |             | \$ 425             |             |
| <b>NAV Dilution/Accretion per Share</b>   |                               |                   |             |                    |             |
| NAV per Share Held by Stockholder A   |                               | \$ 9.60           |             | \$ 9.60            |             |
| Investment per Share Held by Stockholder A (Assumed to be \$10.00 per Share on Shares Held Prior to Sale)                         | \$ 10.00                      | \$ 9.82           | (1.76)%     | \$ 9.57            | (4.31)%     |
| NAV Dilution/Accretion per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)                           |                               | \$ (0.22)         |             | \$ 0.03            |             |
| Percentage NAV Dilution/Accretion Experienced by Stockholder A (NAV Dilution/Accretion per Share Divided by Investment per Share) |                               |                   | (2.28)%     |                    | 0.32%       |

(1) Assumes 5% in selling compensation and expenses paid by us.

### **Impact on New Investors**

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by us will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Example 1 below). On the other hand, investors who are not currently stockholders, but who participate in an offering below NAV

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per share and whose investment per share is also less than the resulting NAV per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Examples 2, 3 and 4 below). These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1.00%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for

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these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

|  |                               | Example 1<br>5% Offering at<br>5% Discount |             |                   | Example 2<br>10% Offering at<br>10% Discount |                   | Example 3<br>25% Offering at<br>20% Discount |                   | Example 4<br>25% Offering at<br>100% Discount |  |
|--|-------------------------------|--|-------------|-------------------|--|-------------------|--|-------------------|---|--|
|  | Prior to<br>Sale Below<br>NAV | Following<br>Sale                          | %<br>Change | Following<br>Sale | %<br>Change                                  | Following<br>Sale | %<br>Change                                  | Following<br>Sale | %<br>Change                                   |  |
| <b>Offering Price</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| Price per Share to Public(1)   |                               | \$ 10.00                                   |             | \$ 9.47           |  | \$ 8.42           |  | \$ 0.01           |   |  |
| Net Proceeds per Share to Issuer   |                               | \$ 9.50                                    |             | \$ 9.00           |  | \$ 8.00           |  | \$ 0.01           |   |  |
| <b>Increase in Shares and Decrease to NAV</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| Total Shares Outstanding   | 1,000,000                     | 1,050,000                                  | 5.00%       | 1,100,000         | 10.00%                                       | 1,250,000         | 25.00%                                       | 1,250,000         | 25.00%  |  |
| NAV per Share  | \$ 10.00                      | \$ 9.98                                    | (0.20)%     | \$ 9.91           | (0.90)%                                      | \$ 9.60           | (4.00)%                                      | \$ 8.00           | (20.00)%                                      |  |
| <b>Dilution/Accretion to New Investor A</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| <b>Share Dilution</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| Shares Held by Investor A  |                               | 500  |             | 1,000             |  | 2,500             |  | 2,500             |   |  |
| Percentage Outstanding Held by Investor A  | 0.00%                         | 0.05%                                      |             | 0.09%             |  | 0.20%             |  | 0.20%             |   |  |
| <b>NAV Dilution</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| Total NAV Held by Investor A   |                               | \$ 4,990                                   |             | \$ 9,910          |  | \$ 24,000         |  | \$ 20,000         |   |  |
| Total Investment by Investor A (At Price to Public)  |                               | \$ 5,000                                   |             | \$ 9,470          |  | \$ 21,050         |  | \$ 25             |   |  |
| Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)   |                               | \$ (10)                                    |             | \$ 440            |  | \$ 2,950          |  | \$ 19,975         |   |  |
| <b>NAV Dilution per Share</b>  |                               |  |             |                   |  |                   |  |                   |   |  |
| NAV per Share Held by Investor A   |                               | \$ 9.98                                    |             | \$ 9.91           |  | \$ 9.60           |  | \$ 8.00           |   |  |
| Investment per Share Held by Investor A  |                               | \$ 10.00                                   |             | \$ 9.47           |  | \$ 8.42           |  | \$ 0.01           |   |  |
| NAV Dilution/Accretion per Share Experienced by Investor A (NAV per Share Less Investment per Share)                           |                               | \$ (0.02)                                  |             | \$ 0.44           |  | \$ 1.18           |  | \$ 7.99           |   |  |
| Percentage NAV Dilution/Accretion Experienced by Investor A (NAV Dilution/Accretion per Share Divided by Investment per Share) |                               |  | (0.20)%     |                   | 4.65%  |                   | 14.01%                                       |                   | 79,900.00%                                    |  |

(1) Assumes 5% in selling compensation and expenses paid by us.



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**DIVIDEND REINVESTMENT PLAN**

We have adopted a dividend reinvestment and direct stock purchase plan, or the Plan. The direct stock purchase feature of the Plan is designed to provide new investors and existing holders of our common stock with a convenient and economical method to purchase shares of our common stock and is described in more detail in a separate prospectus supplement. The dividend reinvestment feature of the Plan, or the dividend reinvestment plan, provides for the reinvestment of dividends on behalf of our registered stockholders who hold their shares with American Stock Transfer and Trust Company, the Plan Administrator and our transfer agent and registrar, or certain brokerage firms that have elected to participate in our dividend reinvestment plan, unless a stockholder has elected to receive dividends in cash. As a result, if we declare a cash dividend, our registered stockholders (or stockholders holding shares through participating brokerage firms) who have not properly "opted out" of the dividend reinvestment plan will have their cash dividend automatically reinvested into additional shares of our common stock.

No action will be required on the part of a registered stockholder to have their cash dividends reinvested in shares of our common stock. A registered stockholder may elect to receive an entire dividend in cash by notifying the Plan Administrator in writing so that such notice is received by the Plan Administrator no later than three business days before the payment date for a particular dividend to stockholders. The Plan Administrator will set up an account for shares acquired through the dividend reinvestment plan for each registered stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the dividend reinvestment plan, the Plan Administrator will issue a certificate registered in the participant's name for some or all of the whole shares of our common stock credited to a participant's account. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

The share requirements of the dividend reinvestment plan may be satisfied through the issuance of new shares of common stock or through open market purchases of common stock by the Plan Administrator. Newly-issued shares will be valued based upon the final closing price of our common stock on a valuation date determined for each dividend by our Board of Directors. Shares purchased in the open market to satisfy the dividend reinvestment plan requirements will be valued based upon the average price of the applicable shares purchased by the Plan Administrator, before any associated brokerage or other costs.

There will be no brokerage charges or other charges for dividend reinvestment to stockholders who participate in the dividend reinvestment plan. We will pay the Plan Administrator's fees under the dividend reinvestment plan.

Stockholders who receive dividends in the form of stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received in a dividend will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the dividend reinvestment plan by notifying the Plan Administrator via its website at [www.astfinancial.com](http://www.astfinancial.com), by filling out the transaction request form located at the bottom of their statement and sending it to the Plan Administrator at 6201 15th Avenue, Brooklyn, New York 11219 or by calling the Plan Administrator at 1-866-706-8371.

We may amend, modify, suspend or terminate the Plan, including the dividend reinvestment plan, at any time in our sole discretion. Participants will receive written notice of any material amendment, modification, suspension or termination. All correspondence concerning the plan should be directed to the Plan Administrator by mail at 6201 15th Avenue, Brooklyn, New York 11219 or by telephone at 1-866-706-8371.

Table of Contents**DESCRIPTION OF COMMON STOCK**

*The following description is based on relevant portions of the Maryland General Corporation Law and on our articles of incorporation and bylaws. This summary may not contain all of the information that is important to you, and we refer you to the Maryland General Corporation Law and our articles of incorporation and bylaws for a more detailed description of the provisions summarized below.*

Under the terms of our articles of incorporation, our authorized capital stock consists of 150,000,000 shares of common stock, par value \$0.01 per share. Set forth below is a chart describing the classes of our common stock outstanding as of April 21, 2017:

| (1)            | (2)                  | (3)  | (4)   |
|----------------|----------------------|--|---|
| Title of Class | Amount<br>Authorized | Amount Held<br>by us or for<br>Our Account | Amount Outstanding<br>Exclusive of Amount<br>Under Column 3 |
| Common Stock   | 150,000,000          |  | 55,922,561  |

Under our articles of incorporation, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to cause the issuance of such shares, without obtaining stockholder approval. In addition, as permitted by the Maryland General Corporation Law, but subject to the 1940 Act, our articles of incorporation provide that the Board of Directors, without any action by our stockholders, may amend the articles of incorporation from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

All shares of our common stock have equal voting rights and rights to earnings, assets and distributions, except as described below. When shares are issued, upon payment therefor, they will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of assets legally available therefore. Shares of our common stock have no conversion, exchange, preemptive or redemption rights. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its articles of incorporation a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our articles of incorporation contain such a provision that eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our articles of incorporation require us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or

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any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to a proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity, except with respect to any matter as to which such person shall have been finally adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in our best interest or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Our bylaws also require that, to the maximum extent permitted by Maryland law, we may pay certain expenses incurred by any such indemnified person in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of such indemnified person to repay amounts we have so paid if it is ultimately determined that indemnification of such expenses is not authorized under our bylaws.

Maryland law requires a corporation (unless its articles of incorporation provide otherwise, which our articles of incorporation do not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of his or her service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

In addition, we have entered into Indemnity Agreements with our directors and executive officers. The Indemnity Agreements generally provide that we will, to the extent specified in the agreements and to the fullest extent permitted by the 1940 Act and Maryland law as in effect on the day the agreement is executed, indemnify and advance expenses to each indemnitee that is, or is threatened to

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be made, a party to or a witness in any civil, criminal or administrative proceeding. We will indemnify the indemnitee against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred in connection with any such proceeding unless it is established that (i) the act or omission of the indemnitee was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the indemnitee actually received an improper personal benefit, or (iii) in the case of a criminal proceeding, the indemnitee had reasonable cause to believe his conduct was unlawful. Additionally, for so long as we are subject to the 1940 Act, no advancement of expenses will be made until (i) the indemnitee provides a security for his undertaking, (ii) we are insured against losses arising by reason of any lawful advances, or (iii) the majority of a quorum of our disinterested directors, or independent counsel in a written opinion, determine based on a review of readily available facts that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification. The Indemnity Agreements also provide that if the indemnification rights provided for therein are unavailable for any reason, we will pay, in the first instance, the entire amount incurred by the indemnitee in connection with any covered proceeding and waive and relinquish any right of contribution we may have against the indemnitee. The rights provided by the Indemnity Agreements are in addition to any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled under applicable law, our articles of incorporation, our bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment or repeal of the Indemnity Agreements will limit or restrict any right of the indemnitee in respect of any action taken or omitted by the indemnitee prior to such amendment or repeal. The Indemnity Agreements will terminate upon the later of (i) ten years after the date the indemnitee has ceased to serve as our director or officer, or (ii) one year after the final termination of any proceeding for which the indemnitee is granted rights of indemnification or advancement of expenses or which is brought by the indemnitee. The above description of the Indemnity Agreements is subject to, and is qualified in its entirety by reference to, all the provisions of the form of Indemnity Agreement.

We have obtained primary and excess insurance policies insuring our directors and officers against certain liabilities they may incur in their capacity as directors and officers. Under such policies, the insurer, on our behalf, may also pay amounts for which we have granted indemnification to the directors or officers.

**Provisions of the Maryland General Corporation Law and Our Articles of Incorporation and Bylaws**

The Maryland General Corporation Law and our articles of incorporation and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

***Election of Directors***

Our bylaws currently provide that directors are elected by a plurality of the votes cast in the election of directors. Pursuant to our articles of incorporation and bylaws, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

***Number of Directors; Vacancies; Removal***

Our articles of incorporation provide that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless the bylaws

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are amended, the number of directors may never be less than one or more than twelve. We have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act. Our articles of incorporation provide that a director may be removed only for cause, as defined in the articles of incorporation, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

***Action by Stockholders***

Under the Maryland General Corporation Law, stockholder action may be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the articles of incorporation provide for stockholder action by less than unanimous written consent, which our articles of incorporation do not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

***Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals***

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

***Calling of Special Meeting of Stockholders***

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special

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meeting of stockholders shall be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

***Approval of Extraordinary Corporate Action; Amendment of Articles of Incorporation and Bylaws***

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its articles of incorporation, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its articles of incorporation for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our articles of incorporation generally provide for approval of amendments to our articles of incorporation and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our articles of incorporation also provide that certain amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 75.0% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 75.0% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our articles of incorporation as our current directors, as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our articles of incorporation and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

***No Appraisal Rights***

Except with respect to appraisal rights that may arise in connection with the Maryland Control Share Acquisition Act, or Control Share Act, discussed below, as permitted by the Maryland General Corporation Law, our articles of incorporation provide that stockholders will not be entitled to exercise appraisal rights.

***Control Share Acquisitions***

The Control Share Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

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A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the articles of incorporation or bylaws of the corporation.

We are not currently subject to the Control Share Act since our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be otherwise amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Act only if the Board of Directors determines that it would be in our best interests and if the staff of the SEC permits us to do so after we determine that our being subject to the Control Share Act does not conflict with the 1940 Act.

***Business Combinations***

Under the Maryland Business Combination Act, or the Business Combination Act, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

any person who beneficially owns 10.0% or more of the voting power of the corporation's shares; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10.0% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which such stockholder otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

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After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our Board of Directors has adopted a resolution exempting any business combination between us and any other person from the provisions of the Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If these resolutions are repealed, or the Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

*Conflict with 1940 Act*

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, or any provision of our articles of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

**DESCRIPTION OF OUR PREFERRED STOCK**

Our articles of incorporation authorize our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our articles of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our securities or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our securities and before any purchase of securities is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50.0% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. Further, the 1940 Act requires that any distributions we make on preferred



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stock be cumulative. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our Board of Directors will determine and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative power, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our Board of Directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which cumulative dividends, if any, thereon will be cumulative.

**DESCRIPTION OF OUR WARRANTS**

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common or preferred stock or a specified principal amount of debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants

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A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

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the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire;

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our Board of Directors approves such issuance on the basis that the issuance is in our best interests and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed.



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**DESCRIPTION OF OUR SUBSCRIPTION RIGHTS**

We may issue subscription rights to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such subscription rights offering. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. Our common stockholders will indirectly bear the expenses of such subscription rights offerings, regardless of whether our common stockholders exercise any subscription rights.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

the title of such subscription rights;

the exercise price or a formula for the determination of the exercise price for such subscription rights;

the number or a formula for the determination of the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable;

if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;

the date on which the right to exercise such subscription rights would commence, and the date on which such rights shall expire (subject to any extension);

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;

if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and

any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

**Exercise of Subscription Rights**

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock or other securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby or another report filed with the SEC. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the applicable prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void. We have not previously completed such an offering of subscription rights.

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Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement, we will forward, as soon as practicable, the

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shares of common stock purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to stockholders, persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting or other arrangements, as set forth in the applicable prospectus supplement.

**DESCRIPTION OF OUR DEBT SECURITIES**

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "Events of Default Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us with respect to the debt securities.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. A copy of the form of indenture is attached to the registration statement of which this prospectus is a part. We will file a supplemental indenture with the SEC in connection with any debt offering, at which time the supplemental indenture would be publicly available. See "Available Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);

the terms for redemption, extension or early repayment, if any;

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the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;



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the place or places of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued (if other than \$1,000 and any integral multiple thereof);

the provision for any sinking fund;

any restrictive covenants;

any Events of Default;

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

any special U.S. federal income tax implications, including, if applicable, U.S. federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

whether the debt securities are secured and the terms of any security interests;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

### **General**

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ("offered debt securities") may be issued under the indenture in one or more series.

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For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities". The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the

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indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk protection or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

**Conversion and Exchange**

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

**Issuance of Securities in Registered Form**

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in "certificated" form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

***Book-Entry Holders***

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depository that will hold them on behalf of financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depository or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depository as the holder of the debt securities and we will make all payments on the debt securities to the depository. The depository will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the debt securities

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are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

***Street Name Holders***

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in "street name." Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

***Legal Holders***

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you in this "Description of Our Debt Securities", we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

***Special Considerations for Indirect Holders***

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

how it handles securities payments and notices,

whether it imposes fees or charges,

how it would handle a request for the holders' consent, if ever required,

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,

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how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

***Global Securities***

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under "Special Situations when a Global Security Will Be Terminated". As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that has an account with the depository. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

***Special Considerations for Global Securities***

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. The depository that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under "Issuance of Securities in Registered Form" above.

An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depository's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the

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trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depository in any way.

If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee.

DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

Financial institutions that participate in the depository's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

***Special Situations when a Global Security will be Terminated***

If a global security is terminated, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "Issuance of Securities in Registered Form" above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depository, and not we or the applicable trustee, is responsible for deciding the names of the investors in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

**Payment and Paying Agents**

We will pay interest (either in cash or by delivery of additional indenture securities, as applicable) to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

***Payments on Global Securities***

We will make payments on a global security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will make payments directly to the depository, or its nominee, and not to any indirect holders who own beneficial interests in the global

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security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under " Special Considerations for Global Securities."

***Payments on Certificated Securities***

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date to the holder of debt securities as shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, at our option, we may pay any cash interest that becomes due on the debt security by mailing a check to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

***Payment When Offices Are Closed***

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

**Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.**

**Events of Default**

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

We do not pay the principal of, or any premium on, a debt security of the series within five days of its due date;

We do not pay interest on a debt security of the series within 30 days of its due date;

We do not deposit any sinking fund payment in respect of debt securities of the series within five days of its due date;

We remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series;

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur;

Any series of debt securities issued under the indenture has an asset coverage, as such term is defined in the 1940 Act, of less than 100 per centum on the last business day of each of twenty-four consecutive calendar months, giving effect to any exemptive relief granted to us by the SEC; or

Any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.





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An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium, interest or sinking or purchase fund installment, if it in good faith considers the withholding of notice to be in the interest of the holders.

***Remedies if an Event of Default Occurs***

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may (and the trustee shall at the request of such holders) declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series if (1) we have deposited with the trustee all amounts due and owing with respect to the securities (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) all Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an "indemnity"). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give your trustee written notice that an Event of Default with respect to the relevant series of debt securities has occurred and remains uncured;

The holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;

The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and

The holders of a majority in principal amount of the debt securities of that series must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

in respect of the payment of principal, any premium or interest or

in respect of a covenant that cannot be modified or amended without the consent of each holder.

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**Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.**

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities or else specifying any default.

**Merger or Consolidation**

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

Where we merge out of existence or sell our assets, the resulting or transferee entity must agree to be legally responsible for our obligations under the debt securities;

The merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded;

We must deliver certain certificates and documents to the trustee; and

We must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

**Modification or Waiver**

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

***Changes Requiring Your Approval***

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

change the stated maturity of the principal of, or interest on, a debt security or the terms of any sinking fund with respect to any security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of an original issue discount or indexed security following a default or upon the redemption thereof or the amount thereof provable in a bankruptcy proceeding;

adversely affect any right of repayment at the holder's option;

change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;

impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to holders of the outstanding debt securities;

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reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults or reduce the percentage of holders of debt securities required to satisfy quorum or voting requirements at a meeting of holders;

modify any other aspect of the provisions of the indenture dealing with supplemental indentures with the consent of holders, waiver of past defaults, or the waiver of certain covenants; and

change any obligation we have to pay additional amounts.

***Changes Not Requiring Approval***

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications, establishment of the form or terms of new securities of any series as permitted by the indenture and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

***Changes Requiring Majority Approval***

Any other change to the indenture and the debt securities would require the following approval:

If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series.

If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of a series of debt securities issued under the indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants applicable to that series of debt securities. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under " Changes Requiring Your Approval."

***Further Details Concerning Voting***

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default.

For debt securities whose principal amount is not known (for example, because it is based on an index), we will use the principal face amount at original issuance or a special rule for that debt security described in the prospectus supplement.

For debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

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Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we, any other obligor, or

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any affiliate of us or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later under "Defeasance Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

**Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.**

**Defeasance**

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

***Covenant Defeasance***

Under current U.S. federal tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance". In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If we achieved covenant defeasance and your debt securities were subordinated as described under "Indenture Provisions Subordination" below, such subordination would not prevent the Trustee from applying due funds available to it from the deposit described in the first bullet below to the payment of amounts in respect of such debt securities. In order to achieve covenant defeasance, we must do the following:

We must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments.

We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit.

We must deliver to the trustee a legal opinion of our counsel and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

Defeasance must not result in a breach or violation of, or result in a default under, the indenture or any of our other material agreements or instruments.

No default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

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If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be such a shortfall. However, there is no assurance that we would have sufficient funds to make payment of the shortfall.

***Full Defeasance***

If there is a change in U.S. federal tax law or we obtain an IRS ruling, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

We must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments.

We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit.

We must deliver to the trustee a legal opinion of our counsel and officers' certificate stating that all conditions precedent to defeasance have been complied with.

Defeasance must not result in a breach or violation of, or constitute a default under, the indenture or any of our other material agreements or instruments.

No default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

Satisfy the conditions for full defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If your debt securities were subordinated as described below under "Indenture Provisions Subordination," such subordination would not prevent the Trustee from applying the funds available to it from the deposit referred to in the first bullet of the preceding paragraph to the payment of amounts due in respect of such debt securities.

**Form, Exchange and Transfer of Certificated Registered Securities**

If registered debt securities cease to be issued in book-entry form, they will be issued:

only in fully registered certificated form,

without interest coupons, and





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unless we indicate otherwise in the prospectus supplement, in denominations of \$1,000 and amounts that are multiples of \$1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed and as long as the denomination is greater than the minimum denomination for such securities.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depository will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

**Resignation of Trustee**

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series and has accepted such appointment. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

**Indenture Provisions Subordination**

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any, on) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Designated Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any, on) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Designated Senior Indebtedness has been made or duly provided for in money or money's worth.

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In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities, upon our dissolution, winding up, liquidation or reorganization before all Designated Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Designated Senior Indebtedness or on their behalf for application to the payment of all the Designated Senior Indebtedness remaining unpaid until all the Designated Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Designated Senior Indebtedness. Subject to the payment in full of all Designated Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Designated Senior Indebtedness to the extent of payments made to the holders of the Designated Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of any indenture securities that are not Designated Senior Indebtedness. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Designated Senior Indebtedness is defined in the indenture as the principal of (and premium, if any, on) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as "Designated Senior Indebtedness" for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Designated Senior Indebtedness), and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Designated Senior Indebtedness and of our other indebtedness outstanding as of a recent date.

**Secured Indebtedness**

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. In the event of a distribution of our assets upon our insolvency, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

**The Trustee under the Indenture**

The Bank of New York Mellon Trust Company, N.A. will serve as the trustee under the indenture.

**Certain Considerations Relating to Foreign Currencies**

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

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**DESCRIPTION OF OUR UNITS**

The following is a general description of the terms of the units we may issue from time to time. Particular terms of any units we offer will be described in the prospectus supplement relating to such units. For a complete description of the terms of particular units, you should read both this prospectus and the prospectus supplement relating to those particular units.

We may issue units comprised of one or more of the other securities described in this prospectus in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security.

A prospectus supplement will describe the particular terms of any series of units we may issue, including the following:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances the securities comprising the units may be held or transferred separately;

a description of the terms of any unit agreement governing the units;

a description of the provisions for the payment, settlement, transfer or exchange of the units; and

whether the units will be issued in fully registered or global form.

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

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the U.S. federal income tax considerations applicable to such an investment. For example, we have not described tax consequences that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service ("IRS") regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

If we issue preferred stock that may be convertible into or exercisable or exchangeable for securities or other property or preferred stock with other terms that may have different U.S. federal income tax consequences than those described in this summary, the U.S. federal income tax consequences of such preferred stock will be described in the relevant prospectus supplement. This summary does not discuss the consequences of an investment in our subscription rights, debt securities or warrants representing rights to purchase shares of our preferred stock, common stock or debt securities or as units in combination with such securities. The U.S. federal income tax consequences of such an investment will be discussed in the relevant prospectus supplement.

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A "U.S. stockholder" generally is a beneficial owner of shares of our common stock who is for U.S. federal income tax purposes:

A citizen or individual resident of the United States;

A corporation or other entity treated as a corporation, for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

A trust if a court within the United States is asked to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantive decisions of the trust; or

A trust or an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "Non-U.S. stockholder" generally is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult his, her or its tax advisers with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisers regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

**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"). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S. federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S. federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

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.

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We are subject to a 4% non-deductible 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 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 taxable income recognized, but not distributed, in preceding years on which we paid no U.S. federal income tax (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

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 has elected to be a taxable entity. Absent the taxable status of the External Investment Manager, the gross income from the External Investment Manager 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

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U.S. GAAP purposes, but is not consolidated with MSCC for income tax purposes and may generate income tax expense, or benefit, as a result of its operating activity.

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 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.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

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**Taxation of U.S. Stockholders**

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions ("Qualifying Dividends") may be eligible for a maximum tax rate of 20.0% (plus the 3.8% Medicare surtax discussed below, if applicable). In this regard, it is anticipated that distributions paid by us will generally not be attributable to dividends and, therefore, generally will not qualify for the 20.0% (plus the 3.8% Medicare surtax, if applicable) maximum rate applicable to Qualifying Dividends. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains that are currently taxable at a maximum rate of 20.0% (plus the 3.8% Medicare surtax, if applicable) in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

We may retain some or all of our realized net long-term capital gains in excess of realized net short-term capital losses, but to designate the retained net capital gain as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. Because we expect to pay tax on any retained capital gains at our regular corporate tax rate, and because that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual U.S. stockholders will be treated as having paid will exceed the tax they owe on the capital gain distribution and such excess generally may be refunded or claimed as a credit against the U.S. stockholder's other U.S. federal income tax obligations. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's cost basis for his, her or its common stock. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

In any fiscal year, we may elect to make distributions to our stockholders in excess of our taxable earnings for that fiscal year. As a result, a portion of those distributions may be deemed a return of capital to our stockholders.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

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If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. The amount of gain or loss will be measured by the difference between such stockholder's adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

In general, individual U.S. stockholders currently are subject to a maximum U.S. federal income tax rate of 20.0% on their net capital gain (i.e., the excess of realized net long-term capital gains over realized net short-term capital losses), including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. In addition, individuals with income in excess of \$200,000 (\$250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% Medicare surtax on their "net investment income," which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35.0% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

We, or the applicable withholding agent, will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year's distributions generally will be reported to the Internal Revenue Service (including the amount of dividends, if any, eligible for the 20.0% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

As a RIC, we will be subject to the alternative minimum tax ("AMT"), but any items that are treated differently for AMT purposes must be apportioned between us and our stockholders and this may affect the stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued by the Internal Revenue Service, we intend in general to apportion these items in the same proportion that dividends paid to each stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless we determine that a different method for a particular item is warranted under the circumstances.



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We may be required to withhold U.S. federal income tax ("backup withholding") from all taxable distributions to any U.S. stockholder that is not otherwise exempt (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's U.S. federal income tax liability, provided that proper information is provided to the IRS.

**Taxation of Non-U.S. Stockholders**

Whether an investment in the shares is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in our common stock.

Distributions of our "investment company taxable income" to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of U.S. federal tax at a 30.0% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless an applicable exception applies. If the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, and, if an income tax treaty applies, attributable to a permanent establishment in the United States, we will not be required to withhold U.S. federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements, although the distributions will be subject to U.S. federal income tax at the rates applicable to U.S. persons. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

We generally are not required to withhold any amounts with respect to certain distributions of (i) U.S. source interest income, and (ii) net short term capital gains in excess of net long term capital losses, in each case to the extent we properly reported such distributions and certain other requirements were satisfied. We anticipate that a portion of our distributions will be eligible for this exemption from withholding; however, we cannot determine what portion of our distributions (if any) will be eligible for this exception until after the end of our taxable year. No certainty can be provided that any of our distributions will be reported as eligible for this exception.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to U.S. federal withholding tax and generally will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States.

If we distribute our net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected to a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30.0% rate (or at a lower rate if

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provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of U.S. federal tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN or IRS Form W-8BEN-E (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Legislation commonly referred to as the "Foreign Account Tax Compliance Act," or "FATCA," generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions ("FFIs") unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement ("IGA") with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest and dividends, and the gross proceeds from the sale of any property that could produce U.S. source interest or dividends received after December 31, 2018. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not FFIs unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which it holds our common stock, a Non-U.S. stockholder could be subject to this 30% withholding tax with respect to distributions on our common stock and proceeds from the sale of our common stock. Under certain circumstances, a Non-U.S. stockholder might be eligible for refunds or credits of such taxes.

Non-U.S. persons should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

**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 taxpayers would be eligible for a dividends-received deduction on distributions they receive. 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

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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 five years, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gain at the time of our requalification as a RIC.

**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,

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" 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."

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 \$240.0 million as of December 31, 2016, 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 2016 annual meeting of stockholders, and we are not currently seeking such approval at our 2017 annual meeting of stockholders, because our common stock price has been trading significantly above the net asset value per share of our common stock since 2011. 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.

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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 anyone involved in the decision-making process discloses to our chief compliance officer any potential conflict of which he or she is aware.

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 and MSC III obtained its license in 2016.

SBICs are designed to stimulate the flow of private 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.

The Funds are subject to regulation and oversight by the SBA, including requirements with respect to reporting financial information, such as the extent of capital impairment if applicable, on a regular basis and annual examinations conducted by the SBA. The SBA, as a creditor, will have a superior claim to the Funds' assets over our stockholders in the event the Funds are liquidated or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the Funds upon an event of default.

We have received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of the Funds from our 200% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage. See "Risk Factors Risks related to our business and structure Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us."

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

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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" enterprises as defined by the SBA. A smaller enterprise 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 enterprise, 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 certain 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, as defined by the SBA, 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 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.

The SBIC licenses allow the Funds to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and certain approvals by the SBA and customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under applicable regulations, 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. Debentures guaranteed by the SBA have a maturity of ten years, require semiannual payments of interest, do not require any principal payments prior to maturity, and are not subject to prepayment penalties. As of December 31, 2016, we, through the Funds, had \$240.0 million of outstanding SBA-guaranteed debentures, which had an annual weighted-average interest rate of approximately 4.1%.

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

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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 consolidated 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.

***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.



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**PLAN OF DISTRIBUTION**

We may offer, from time to time, up to \$1,500,000,000 of our common stock, preferred stock, units, subscription rights, debt securities, or warrants representing rights to purchase shares of our securities, preferred stock or debt securities. We may sell the securities directly or through underwriters or dealers, "at the market" to or through a market maker or into an existing market or otherwise, directly to one or more purchasers through or without agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed.

The distribution of our securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our common stock less any underwriting commissions or discounts must equal or exceed the net asset value per share of our common stock except (i) with the requisite approval of our stockholders or (ii) under such other circumstances as the SEC may permit. 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" for a discussion of proposals approved by our stockholders that permit us to issue shares of our common stock below net asset value.

In connection with the sale of our securities, underwriters or agents may receive compensation from us or from purchasers of our securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell our securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on the New York Stock Exchange. We may elect to list any other class or series of securities on any

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exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, our securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The maximum amount of any compensation to be received by any member of the Financial Industry Regulatory Authority, Inc. will not be greater than 10% for the sale of any securities being registered.

**CUSTODIAN, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR**

Our securities are held under custody agreements by Amegy Bank National Association, whose address is 1221 McKinney Street Level P-1 Houston, Texas 77010, and Branch Banking and Trust Company, whose address is 5130 Parkway Plaza Boulevard, Charlotte, North Carolina 28217. American Stock Transfer & Trust Company acts as our transfer agent, distribution paying agent and registrar. The principal business address of our transfer agent is 59 Maiden Lane New York, New York 10038, telephone number: (212) 936-5100.

**BROKERAGE ALLOCATION AND OTHER PRACTICES**

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of our business. Our investment team is primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. We do not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

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We also pay brokerage commissions incurred in connection with open-market purchases of our publicly traded securities from time to time, including pursuant to our dividend reinvestment plan.

We did not pay significant brokerage commissions during the three years ended December 31, 2015 in connection with the acquisition and/or disposal of our investments.

**LEGAL MATTERS**

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Eversheds Sutherland (US) LLP, Washington D.C. Certain legal matters will be passed upon for underwriters, if any, by the counsel named in the prospectus supplement, if any.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audited consolidated financial statements, financial highlights, Schedule 12-14 and the schedule of Senior Securities of Main Street Capital Corporation, included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, as stated in their reports appearing herein. Grant Thornton LLP's principal business address is Grant Thornton Tower, 171 North Clark, Suite 200, Chicago, Illinois, 60601.

**AVAILABLE INFORMATION**

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

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

**PRIVACY NOTICE**

We are committed to protecting your privacy. This privacy notice explains the privacy policies of Main Street and its affiliated companies. This notice supersedes any other privacy notice you may have received from Main Street.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about you. The only information we collect from you is your name, address, and number of shares you hold. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below.

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*The People and Companies that Make Up Main Street.* It is our policy that only our authorized employees who need to know your personal information will have access to it. Our personnel who violate our privacy policy are subject to disciplinary action.

*Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as record keeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.

*Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

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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, 2016 and 2015 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, 2016 and the financial highlights (see Note I) for each of the five years in the period ended December 31, 2016. 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, 2016 and 2015, 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, 2016 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, and the financial highlights for each of the five years in the period ended December 31, 2016, 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, 2016, 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 24, 2017, (not separately included herein), expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ GRANT THORNTON LLP

Dallas, Texas  
February 24, 2017

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

|   | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|------------------------------|------------------------------|
| <b>ASSETS</b>   |                              |                              |
| Portfolio investments at fair value:  |                              |                              |
| Control investments (cost: \$439,674 and \$387,727 as of December 31, 2016 and 2015, respectively)  | \$ 594,282                   | \$ 555,011                   |
| Affiliate investments (cost: \$394,699 and \$333,728 as of December 31, 2016 and 2015, respectively)  | 375,948                      | 350,519                      |
| Non-Control/Non-Affiliate investments (cost: \$1,037,510 and \$945,187 as of December 31, 2016 and 2015, respectively)  | 1,026,676                    | 894,466                      |
| Total portfolio investments (cost: \$1,871,883 and \$1,666,642 as of December 31, 2016 and 2015, respectively)  | 1,996,906                    | 1,799,996                    |
| Marketable securities and idle funds investments (cost: \$0 and \$5,407 as of December 31, 2016 and 2015, respectively)   |                              | 3,693                        |
| Total investments (cost: \$1,871,883 and \$1,672,049 as of December 31, 2016 and 2015, respectively)  | 1,996,906                    | 1,803,689                    |
| Cash and cash equivalents   | 24,480                       | 20,331                       |
| Interest receivable and other assets  | 35,133                       | 27,737                       |
| Receivable for securities sold  | 1,990                        | 9,901                        |
| Deferred financing costs (net of accumulated amortization of \$11,547 and \$8,965 as of December 31, 2016 and 2015, respectively)   | 12,645                       | 13,267                       |
| Deferred tax asset, net   | 9,125                        | 4,003                        |
| Total assets  | \$ 2,080,279                 | \$ 1,878,928                 |
| <b>LIABILITIES</b>  |                              |                              |
| Credit facility   | \$ 343,000                   | \$ 291,000                   |
| SBIC debentures (par: \$240,000 (\$15,000 due within one year) and \$225,000 as of December 31, 2016 and 2015, respectively. Par of \$75,200 is recorded at a fair value of \$74,803 and \$73,860 as of December 31, 2016 and 2015, respectively)   | 239,603                      | 223,660                      |
| 4.50% Notes   | 175,000                      | 175,000                      |
| 6.125% Notes  | 90,655                       | 90,738                       |
| Accounts payable and other liabilities  | 14,205                       | 12,292                       |
| Payable for securities purchased  | 2,184                        | 2,311                        |
| Interest payable  | 4,103                        | 3,959                        |
| Dividend payable  | 10,048                       | 9,074                        |
| Total liabilities   | 878,798                      | 808,034                      |
| Commitments and contingencies (Note N)  |                              |                              |
| <b>NET ASSETS</b>   |                              |                              |
| Common stock, \$0.01 par value per share (150,000,000 shares authorized; 54,312,444 and 50,413,744 shares issued and outstanding as of December 31, 2016 and 2015, respectively)  | 543                          | 504                          |
| Additional paid-in capital  | 1,143,883                    | 1,011,467                    |
| Accumulated net investment income, net of cumulative dividends of \$521,297 and \$417,347 as of December 31, 2016 and 2015, respectively  | 19,033                       | 7,181                        |
| Accumulated net realized gain from investments (accumulated net realized gain from investments of \$48,394 before cumulative dividends of \$107,281 as of December 31, 2016 and accumulated net realized gain from investments of \$19,005 before cumulative dividends of \$68,658 as of December 31, 2015) | (58,887)                     | (49,653)                     |

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|  |              |              |
|--|--------------|--------------|
| Net unrealized appreciation, net of income taxes | 96,909       | 101,395      |
| Total net assets                                 | 1,201,481    | 1,070,894    |
| Total liabilities and net assets                 | \$ 2,080,279 | \$ 1,878,928 |
| <br>   |              |              |
| <b>NET ASSET VALUE PER SHARE</b>                 | \$ 22.10     | \$ 21.24     |

The accompanying notes are an integral part of these consolidated financial statements

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

(dollars in thousands, except shares and per share amounts)

|   | Twelve Months Ended December 31, |            |            |
|---|----------------------------------|------------|------------|
|   | 2016                             | 2015       | 2014       |
| <b>INVESTMENT INCOME:</b>   |                                  |            |            |
| Interest, fee and dividend income:  |                                  |            |            |
| Control investments   | \$ 52,221                        | \$ 49,832  | \$ 40,122  |
| Affiliate investments   | 37,702                           | 27,200     | 26,151     |
| Non-Control/Non-Affiliate investments   | 88,242                           | 86,571     | 73,666     |
| Interest, fee and dividend income   | 178,165                          | 163,603    | 139,939    |
| Interest, fee and dividend income from marketable securities and idle funds investments | 174                              | 986        | 824        |
| Total investment income   | 178,339                          | 164,589    | 140,763    |
| <b>EXPENSES:</b>  |                                  |            |            |
| Interest  | (33,630)                         | (32,115)   | (23,589)   |
| Compensation  | (16,408)                         | (14,852)   | (12,337)   |
| General and administrative  | (9,284)                          | (8,621)    | (7,134)    |
| Share-based compensation  | (8,304)                          | (6,262)    | (4,215)    |
| Expenses allocated to the External Investment Manager                                   | 5,089                            | 4,335      | 2,048      |
| Total expenses  | (62,537)                         | (57,515)   | (45,227)   |
| <b>NET INVESTMENT INCOME</b>  | 115,802                          | 107,074    | 95,536     |
| <b>NET REALIZED GAIN (LOSS):</b>  |                                  |            |            |
| Control investments   | 32,220                           | (582)      | (10)       |
| Affiliate investments   | 25,167                           | 5,827      | 12,019     |
| Non-Control/Non-Affiliate investments   | (26,317)                         | (25,147)   | 11,257     |
| Marketable securities and idle funds investments  | (1,681)                          | (1,414)    | (60)       |
| Total net realized gain (loss)  | 29,389                           | (21,316)   | 23,206     |
| <b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>                            |                                  |            |            |
| Portfolio investments   | (8,305)                          | 11,048     | (824)      |
| Marketable securities and idle funds investments  | 1,729                            | (177)      | 48         |
| SBIC debentures   | (943)                            | (879)      | (10,931)   |
| Total net change in unrealized appreciation (depreciation)                              | (7,519)                          | 9,992      | (11,707)   |
| <b>INCOME TAXES:</b>  |                                  |            |            |
| Federal and state income, excise and other taxes  | (2,089)                          | (2,964)    | (3,013)    |
| Deferred taxes  | 3,316                            | 11,651     | (3,274)    |
| Income tax benefit (provision)  | 1,227                            | 8,687      | (6,287)    |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                             | \$ 138,899                       | \$ 104,437 | \$ 100,748 |

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|  |    |      |    |      |    |      |
|--|----|------|----|------|----|------|
| <b>NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED</b> | \$ | 2.23 | \$ | 2.18 | \$ | 2.20 |
|--|----|------|----|------|----|------|

|   |    |      |    |      |    |      |
|---|----|------|----|------|----|------|
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE BASIC AND DILUTED</b> | \$ | 2.67 | \$ | 2.13 | \$ | 2.31 |
|---|----|------|----|------|----|------|

**DIVIDENDS PAID PER SHARE:**

|                           |    |       |    |       |    |       |
|---------------------------|----|-------|----|-------|----|-------|
| Regular monthly dividends | \$ | 2.175 | \$ | 2.100 | \$ | 1.995 |
| Supplemental dividends    |    | 0.550 |    | 0.550 | \$ | 0.550 |
| Total dividends           | \$ | 2.725 | \$ | 2.650 | \$ | 2.545 |

|  |            |            |            |
|--|------------|------------|------------|
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED</b> | 52,025,002 | 49,071,492 | 43,522,397 |
|--|------------|------------|------------|

The accompanying notes are an integral part of these consolidated financial statements

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Table of Contents**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, 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                                      |                     |              | 6,262                            |   |   |  | 6,262                    |
| Purchase of vested stock for employee payroll tax withholding | (54,840)            | (1)          | (1,739)                          |   |   |  | (1,740)                  |
| 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             |
| <b>Balances at December 31, 2015</b>                          | 50,413,744          | \$ 504       | \$ 1,011,467                     | \$ 7,181  | \$ (49,653)   | \$ 101,395   | \$ 1,070,894             |
| Public offering of common stock, net of offering costs        | 3,324,646           | 33           | 112,006                          |   |   |  | 112,039                  |
| Share-based compensation                                      |                     |              | 8,304                            |   |   |  | 8,304                    |
|   | (80,750)            | (1)          | (2,592)                          |   |   |  | (2,593)                  |

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|   |                   |               |                     |                  |                    |                  |                     |           |
|---|-------------------|---------------|---------------------|------------------|--------------------|------------------|---------------------|-----------|
| Purchase of vested stock for employee payroll tax withholding |                   |               |                     |                  |                    |                  |                     |           |
| Dividend reinvestment   | 434,631           | 4             | 14,073              |                  |                    |                  |                     | 14,077    |
| Amortization of directors' deferred compensation              |                   |               | 628                 |                  |                    |                  |                     | 628       |
| Issuance of restricted stock, net of forfeited shares         | 262,586           | 3             | (3)                 |                  |                    |                  |                     |           |
| Dividends to stockholders                                     |                   |               |                     | (103,950)        | (38,623)           |                  |                     | (142,573) |
| Cumulative-effect to retained earnings for excess tax benefit |                   |               |                     |                  |                    |                  | 1,806               | 1,806     |
| Net increase (loss) resulting from operations                 |                   |               |                     | 115,802          | 29,389             | (6,292)          |                     | 138,899   |
| <b>Balances at December 31, 2016</b>                          | <b>54,354,857</b> | <b>\$ 543</b> | <b>\$ 1,143,883</b> | <b>\$ 19,033</b> | <b>\$ (58,887)</b> | <b>\$ 96,909</b> | <b>\$ 1,201,481</b> |           |

The accompanying notes are an integral part of these consolidated 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>2016</b>                             | <b>2015</b>      | <b>2014</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                  |                  |
| Net increase in net assets resulting from operations  | \$ 138,899                              | \$ 104,437       | \$ 100,748       |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities: |   |                  |                  |
| Investments in portfolio companies  | (641,197)                               | (838,441)        | (831,192)        |
| Proceeds from sales and repayments of debt investments in portfolio companies   | 409,542                                 | 570,454          | 512,084          |
| Proceeds from sales and return of capital of equity investments in portfolio companies  | 76,731                                  | 34,780           | 42,585           |
| Investments in marketable securities and idle funds investments   | (523)                                   | (5,767)          | (22,691)         |
| Proceeds from sales and repayments of marketable securities and idle funds investments  | 4,316                                   | 9,529            | 26,958           |
| Net change in net unrealized (appreciation) depreciation  | 7,519                                   | (9,992)          | 11,707           |
| Net realized (gain) loss  | (29,389)                                | 21,316           | (23,206)         |
| Accretion of unearned income  | (10,211)                                | (8,940)          | (10,491)         |
| Payment-in-kind interest  | (6,497)                                 | (3,624)          | (4,685)          |
| Cumulative dividends  | (2,200)                                 | (1,607)          | (1,815)          |
| Share-based compensation expense  | 8,304                                   | 6,262            | 4,215            |
| Amortization of deferred financing costs  | 2,582                                   | 2,553            | 1,740            |
| Deferred tax (benefit) provision  | (3,316)                                 | (11,651)         | 3,274            |
| Changes in other assets and liabilities:  |   |                  |                  |
| Interest receivable and other assets  | (2,564)                                 | (3,220)          | (6,686)          |
| Interest payable  | 144                                     | (889)            | 2,292            |
| Accounts payable and other liabilities  | 2,541                                   | 1,639            | 1,817            |
| Deferred fees and other   | 2,589                                   | 1,769            | 2,428            |
| Net cash used in operating activities   | (42,730)                                | (131,392)        | (190,918)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |                  |                  |
| Proceeds from public offering of common stock, net of offering costs  | 112,039                                 | 132,049          | 139,697          |
| Proceeds from public offering of 4.50% Notes  |   |                  | 175,000          |
| Dividends paid  | (127,522)                               | (110,673)        | (95,935)         |
| Proceeds from issuance of SBIC debentures   | 15,000                                  |                  | 24,800           |
| Proceeds from credit facility   | 390,000                                 | 534,000          | 491,000          |
| Repayments on credit facility   | (338,000)                               | (461,000)        | (510,000)        |
| Payment of deferred loan costs and SBIC debenture fees  | (1,962)                                 | (1,260)          | (6,359)          |
| Purchases of vested stock for employee payroll tax withholding  | (2,593)                                 | (1,740)          | (1,495)          |
| Other   | (83)                                    | (85)             | (59)             |
| Net cash provided by financing activities   | 46,879                                  | 91,291           | 216,649          |
| Net increase (decrease) in cash and cash equivalents  | 4,149                                   | (40,101)         | 25,731           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>   | <b>20,331</b>                           | <b>60,432</b>    | <b>34,701</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | <b>\$ 24,480</b>                        | <b>\$ 20,331</b> | <b>\$ 60,432</b> |
| <b>Supplemental cash flow disclosures:</b>  |   |                  |                  |
| Interest paid   | \$ 30,756                               | \$ 30,450        | \$ 19,559        |
| Taxes paid  | \$ 1,495                                | \$ 2,687         | \$ 4,152         |

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**Non-cash financing activities:**

|                                    |    |        |    |        |    |        |
|------------------------------------|----|--------|----|--------|----|--------|
| Shares issued pursuant to the DRIP | \$ | 14,077 | \$ | 19,354 | \$ | 14,956 |
|------------------------------------|----|--------|----|--------|----|--------|

The accompanying notes are an integral part of these consolidated financial statements

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments

December 31, 2016  
(dollars in thousands)

| Portfolio Company(1)                 | Business Description                                | Type of Investment(2)(3)  | Principal(4) | Cost(4)    | Fair Value |
|--------------------------------------|---|---|--------------|------------|------------|
| <b><u>Control Investments(5)</u></b> |   |   |              |            |            |
| Access Media Holdings, LLC(10)       | Private Cable Operator                              | 5% Current / 5% PIK Secured Debt (Maturity July 22, 2020)   | \$ 22,664    | \$ 22,664  | \$ 19,700  |
|                                      |   | Preferred Member Units (6,581,250 units; 12% cumulative)<br>Member Units (45 units)                 |              | 6,475<br>1 | 240        |
|                                      |   |   |              | 29,140     | 19,940     |
| Ameritech College Operations, LLC    | For-Profit Nursing and Healthcare College           | 10% Secured Debt (Maturity November 30, 2019)   | 514          | 514        | 514        |
|                                      |   | 13% Secured Debt (Maturity November 30, 2019)   | 489          | 489        | 489        |
|                                      |   | 13% Secured Debt (Maturity January 31, 2020)  | 3,025        | 3,025      | 3,025      |
|                                      |   | Preferred Member Units (294 units)  |              | 2,291      | 2,291      |
|                                      |   |   |              | 6,319      | 6,319      |
| ASC Interests, LLC                   | Recreational and Educational Shooting Facility      | 11% Secured Debt (Maturity July 31, 2018)   | 2,100        | 2,084      | 2,100      |
|                                      |   | Member Units (1,500 units)(8)   |              | 1,500      | 2,680      |
|                                      |   |   |              | 3,584      | 4,780      |
| Bond-Coat, Inc.                      | Casing and Tubing Coating Services                  | 12% Secured Debt (Maturity December 28, 2017)   | 11,596       | 11,556     | 11,596     |
|                                      |   | Common Stock (57,508 shares)  |              | 6,350      | 6,660      |
|                                      |   |   |              | 17,906     | 18,256     |
| Café Brazil, LLC                     | Casual Restaurant Group                             | Member Units (1,233 units)(8)   |              | 1,742      | 6,040      |
| CBT Nuggets, LLC                     | Produces and Sells IT Training Certification Videos | Member Units (416 units)(8)   |              | 1,300      | 55,480     |
| Clad-Rex Steel, LLC                  | Specialty Manufacturer of Vinyl-Clad Metal          | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity December 20, 2018)(9) | 400          | 396        | 396        |

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|  |        |        |        |
|--|--------|--------|--------|
| LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured<br>Debt (Maturity December 20,<br>2021)(9) | 14,080 | 13,941 | 13,941 |
| Member Units (717 units)   |        | 7,280  | 7,280  |
| 10% Secured Debt (Clad-Rex Steel<br>RE Investor, LLC) (Maturity<br>December 20, 2036)                        | 1,202  | 1,190  | 1,190  |
| Member Units (Clad-Rex Steel RE<br>Investor, LLC) (800 units)  |        | 210    | 210    |
|  |        | 23,017 | 23,017 |

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

**December 31, 2016**  
**(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>CMS Minerals Investments</b>     | Oil & Gas Exploration & Production                              | Preferred Member Units (CMS Minerals LLC) (458 units)(8)  |                     | 2,104          | 3,682             |
|                                     |   | Member Units (CMS Minerals II, LLC) (100 units)(8)  |                     | 3,829          | 3,381             |
|                                     |   |   |                     | 5,933          | 7,063             |
| <b>Datacom, LLC</b>                 | Technology and Telecommunications Provider                      | 8% Secured Debt (Maturity May 30, 2017)   | 900                 | 900            | 900               |
|                                     |   | 5.25% Current / 5.25% PIK Secured Debt (Maturity May 30, 2019)                                      | 11,713              | 11,651         | 11,049            |
|                                     |   | Class A Preferred Member Units (15% cumulative)   |                     | 1,181          | 1,368             |
|                                     |   | Class B Preferred Member Units (6,453 units)  |                     | 6,030          | 1,529             |
|                                     |   |   |                     | 19,762         | 14,846            |
| <b>Gamber-Johnson Holdings, LLC</b> | Manufacturer of Ruggedized Computer Mounting Systems            | LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity June 24, 2021)(9)    | 24,080              | 23,846         | 23,846            |
|                                     |   | Member Units (8,619 units)  |                     | 14,844         | 18,920            |
|                                     |   |   |                     | 38,690         | 42,766            |
| <b>Garreco, LLC</b>                 | Manufacturer and Supplier of Dental Products                    | 14% Secured Debt (Maturity January 12, 2018)  | 5,250               | 5,219          | 5,219             |
|                                     |   | Member Units (1,200 units)  |                     | 1,200          | 1,150             |
|                                     |   |   |                     | 6,419          | 6,369             |
| <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) | 13,274              | 13,188         | 13,274            |
|                                     |   | Member Units (5,879 units)(8)   |                     | 13,065         | 20,310            |
|                                     |   |   |                     | 26,253         | 33,584            |
| <b>Gulf Manufacturing, LLC</b>      | Manufacturer of Specialty Fabricated Industrial Piping Products |   | 777                 | 777            | 777               |

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|  |  |       |       |
|--|--|-------|-------|
| 9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity June 30, 2017) |  |       |       |
| Member Units (438 units)(8)  |  | 2,980 | 8,770 |
|  |  | 3,757 | 9,547 |

|                                      |  |  |        |        |        |
|--------------------------------------|--|--|--------|--------|--------|
| <b>Gulf Publishing Holdings, LLC</b> | Energy Industry Focused Media and Publishing | 12.5% Secured Debt (Maturity April 29, 2021) | 10,000 | 9,911  | 9,911  |
|                                      |  | Member Units (3,124 units)                   |        | 3,124  | 3,124  |
|                                      |  |  |        | 13,035 | 13,035 |
|                                      |  |  |        |        |        |

|                                 |                                      |                                  |  |     |       |
|---------------------------------|--------------------------------------|----------------------------------|--|-----|-------|
| <b>Harrison Hydra-Gen, Ltd.</b> | Manufacturer of Hydraulic Generators | Common Stock (107,456 shares)(8) |  | 718 | 3,120 |
|                                 |                                      |                                  |  |     |       |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                                | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Facilitator of Import Logistics, Brokerage, and Warehousing      | Member Units (500 units)  |              | 589     | 280        |
|   |  | Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)                                      |              | 1,215   | 2,040      |
|   |  |   |              | 1,804   | 2,320      |
| <b>HW Temps LLC</b>                                 | Temporary Staffing Solutions                                     | LIBOR Plus 13.00% (Floor 1.00%), Current Coupon 14.00%, Secured Debt (Maturity July 2, 2020)(9)     | 10,576       | 10,500  | 10,500     |
|   |  | Preferred Member Units (3,200 units)(8)   |              | 3,942   | 3,940      |
|   |  |   |              | 14,442  | 14,440     |
| <b>Hydratec, Inc.</b>                               | Designer and Installer of Micro-Irrigation Systems               | Common Stock (7,095 shares)(8)  |              | 7,095   | 15,640     |
| <b>IDX Broker, LLC</b>                              | Provider of Marketing and CRM Tools for the Real Estate Industry | 12.5% Secured Debt (Maturity November 15, 2018)   | 10,950       | 10,904  | 10,950     |
|   |  | Member Units (5,400 units)(8)   |              | 5,606   | 7,040      |
|   |  |   |              | 16,510  | 17,990     |
| <b>Indianapolis Aviation Partners, LLC</b>          | Fixed Base Operator  | 15% Secured Debt (Maturity January 15, 2017)  | 3,100        | 3,100   | 3,100      |
|   |  | Warrants (1,046 equivalent units)   |              | 1,129   | 2,649      |
|   |  |   |              | 4,229   | 5,749      |
| <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, 2019)(9) | 4,055        | 3,996   | 4,055      |
|   |  | Member Units (627 units)(8)   |              | 811     | 4,460      |
|   |  |   |              | 4,807   | 8,515      |
| <b>Lamb Ventures, LLC</b>                           | Aftermarket Automotive Services Chain                            | 11% Secured Debt (Maturity May 31, 2018)  | 7,657        | 7,657   | 7,657      |
|   |  | Preferred Equity (non-voting)   |              | 400     | 400        |
|   |  | Member Units (742 units)(8)   |              | 5,273   | 5,990      |

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|                                |   |       |        |        |
|--------------------------------|---|-------|--------|--------|
|                                | 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity December 31, 2041) | 1,170 | 1,170  | 1,170  |
|                                | Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)                  |       | 625    | 1,340  |
|                                |   |       | 15,125 | 16,557 |
| <b>Lighting Unlimited, LLC</b> | Commercial and Residential Lighting Products and Design Services                      |       |        |        |
|                                | 8% Secured Debt (Maturity August 22, 2017)  | 1,514 | 1,514  | 1,514  |
|                                | Preferred Equity (non-voting)   |       | 434    | 410    |
|                                | Warrants (71 equivalent units)  |       | 54     |        |
|                                | Member Units (700 units)  |       | 100    |        |
|                                |   |       | 2,102  | 1,924  |

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

**December 31, 2016**  
**(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>Marine Shelters Holdings, LLC</b>     | Fabricator of Marine and Industrial Shelters                          | 12% PIK Secured Debt (Maturity December 28, 2017)(14)   | 9,967               | 9,914          | 9,387             |
|  |   | Preferred Member Units (3,810 units)  |                     | 5,352          |                   |
|  |   |   |                     | 15,266         | 9,387             |
| <b>MH Corbin Holding LLC</b>             | Manufacturer and Distributor of Traffic Safety Products               | 10% Secured Debt (Maturity August 31, 2020)   | 13,300              | 13,197         | 13,197            |
|  |   | Preferred Member Units (4,000 shares)   |                     | 6,000          | 6,000             |
|  |   |   |                     | 19,197         | 19,197            |
| <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 (3,554 units)  |                     | 1,810          | 2,480             |
|  |   | 9.5% Secured Debt (Mid-Columbia Real Estate, LLC) (Maturity May 13, 2025)                         | 836                 | 836            | 836               |
|  |   | Member Units (Mid-Columbia Real Estate, LLC) (250 units)(8)                                       |                     | 250            | 600               |
|  |   |   |                     | 8,546          | 9,566             |
| <b>MSC Adviser I, LLC(16)</b>            | Third Party Investment Advisory Services                              | Member Units (Fully diluted 100.0%)(8)  |                     |                | 30,617            |
|  |   |   |                     |                |                   |
| <b>Mystic Logistics Holdings, LLC</b>    | Logistics and Distribution Services Provider for Large Volume Mailers | 12% Secured Debt (Maturity August 15, 2019)   | 9,176               | 9,053          | 9,176             |
|  |   | Common Stock (5,873 shares)   |                     | 2,720          | 5,780             |
|  |   |   |                     | 11,773         | 14,956            |
| <b>NAPCO Precast, LLC</b>                | Precast Concrete Manufacturing  | Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity February 1, 2019)(9) | 2,713               | 2,693          | 2,713             |
|  |   | 18% Secured Debt (Maturity February 1, 2019)  | 3,952               | 3,922          | 3,952             |
|  |   | Member Units (2,955 units)(8)   |                     | 2,975          | 10,920            |
|  |   |   |                     |                |                   |

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|                                   |  |       |       |        |
|-----------------------------------|--|-------|-------|--------|
|                                   |  |       | 9,590 | 17,585 |
| <b>NRI Clinical Research, LLC</b> | Clinical Research Service Provider   |       |       |        |
|                                   | LIBOR Plus 6.50% (Floor 1.50%), Current Coupon 8.00%, Secured Debt (Maturity September 8, 2017)(9) | 200   | 200   | 200    |
|                                   | 14% Secured Debt (Maturity September 8, 2017)  | 4,261 | 4,228 | 4,261  |
|                                   | Warrants (251,723 equivalent units)  |       | 252   | 680    |
|                                   | Member Units (1,454,167 units)   |       | 765   | 2,462  |
|                                   |  |       | 5,445 | 7,603  |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|-------------------------------------|---|--|--------------|---------|------------|
| <b>NRP Jones, LLC</b>               | Manufacturer of Hoses, Fittings and Assemblies                      | 6% Current / 6% PIK Secured Debt (Maturity December 22, 2016)(17)                                  | 13,915       | 13,915  | 13,915     |
|                                     |   | Warrants (14,331 equivalent units)   |              | 817     | 130        |
|                                     |   | Member Units (50,877 units)  |              | 2,900   | 410        |
|                                     |   |  |              | 17,632  | 14,455     |
| <b>OMi Holdings, Inc.</b>           | Manufacturer of Overhead Cranes                                     | Common Stock (1,500 shares)(8)   |              | 1,080   | 13,080     |
| <b>Pegasus Research Group, LLC</b>  | Provider of Telemarketing and Data Services                         | Member Units (460 units)(8)  |              | 1,290   | 8,620      |
| <b>PPL RVs, Inc.</b>                | Recreational Vehicle Dealer   | LIBOR Plus 7.00% (Floor 0.50%), Current Coupon 7.93%, Secured Debt (Maturity November 15, 2021)(9) | 18,000       | 17,826  | 17,826     |
|                                     |   | Common Stock (1,962 shares)(8)   |              | 2,150   | 11,780     |
|                                     |   |  |              | 19,976  | 29,606     |
| <b>Principle Environmental, LLC</b> | Noise Abatement Service Provider                                    | 12% Secured Debt (Maturity April 30, 2017)   | 4,060        | 4,060   | 4,060      |
|                                     |   | 12% Current / 2% PIK Secured Debt (Maturity April 30, 2017)  | 3,378        | 3,378   | 3,378      |
|                                     |   | Preferred Member Units (19,631 units)  |              | 4,663   | 5,370      |
|                                     |   | Warrants (1,036 equivalent units)  |              | 1,200   | 270        |
|                                     |   |  |              | 13,301  | 13,078     |
| <b>Quality Lease Service, LLC</b>   | Provider of Rigsite Accommodation Unit Rentals and Related Services | 8% PIK Secured Debt (Maturity June 8, 2020)  | 7,068        | 7,068   | 7,068      |
|                                     |   | Member Units (1,000 units)   |              | 1,118   | 3,188      |
|                                     |   |  |              | 8,186   | 10,256     |
| <b>River Aggregates, LLC</b>        | Processor of Construction Aggregates                                | Zero Coupon Secured Debt (Maturity June 30, 2018)  | 750          | 627     | 627        |
|                                     |   | Member Units (1,150 units)(8)  |              | 1,150   | 4,600      |
|                                     |   | Member Units (RA Properties, LLC) (1,500 units)  |              | 369     | 2,510      |
|                                     |   |  |              |         |            |

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|                                       |   |   |        |                                  |
|---------------------------------------|---|---|--------|----------------------------------|
|                                       |   |   | 2,146  | 7,737                            |
| <b>SoftTouch Medical Holdings LLC</b> | Provider of In-Home Pediatric Durable Medical Equipment | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, Secured<br>Debt (Maturity October 31, 2019)(9)<br>Member Units (4,450 units)(8) | 7,140  | 7,096<br>4,930<br>7,140<br>9,170 |
|                                       |   |   | 12,026 | 16,310                           |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description  | Type of Investment(2)(3)                                    | Principal(4) | Cost(4)           | Fair Value        |
|--|---|---|--------------|-------------------|-------------------|
| <b>The MPI Group, LLC</b>  | Manufacturer of Custom Hollow Metal Doors, Frames and Accessories | 9% Secured Debt (Maturity October 2, 2018)                  | 2,924        | 2,922             | 2,922             |
|  |   | Series A Preferred Units (2,500 units; 10% Cumulative)      |              | 2,500             |                   |
|  |   | Warrants (1,424 equivalent units)                           |              | 1,096             |                   |
|  |   | Member Units (MPI Real Estate Holdings, LLC) (100 units)(8) |              | 2,300             | 2,300             |
|  |   |   |              | 8,818             | 5,222             |
| <b>Uvalco Supply, LLC</b>  | Farm and Ranch Supply Store                                       | 9% Secured Debt (Maturity January 1, 2019)                  | 872          | 872               | 872               |
|  |   | Member Units (2,011 units)(8)                               |              | 3,843             | 4,640             |
|  |   |   |              | 4,715             | 5,512             |
| <b>Vision Interests, Inc.</b>  | Manufacturer / Installer of Commercial Signage                    | 13% Secured Debt (Maturity December 23, 2018)               | 2,814        | 2,814             | 2,814             |
|  |   | Series A Preferred Stock (3,000,000 shares)                 |              | 3,000             | 3,000             |
|  |   | Common Stock (1,126,242 shares)                             |              | 3,706             |                   |
|  |   |   |              | 9,520             | 5,814             |
| <b>Ziegler's NYPD, LLC</b>   | Casual Restaurant Group   | 6.5% Secured Debt (Maturity October 1, 2019)                | 1,000        | 994               | 994               |
|  |   | 12% Secured Debt (Maturity October 1, 2019)                 | 300          | 300               | 300               |
|  |   | 14% Secured Debt (Maturity October 1, 2019)                 | 2,750        | 2,750             | 2,750             |
|  |   | Warrants (587 equivalent units)                             |              | 600               | 240               |
|  |   | Preferred Member Units (10,072 units)                       |              | 2,834             | 4,100             |
|  |   |   |              | 7,478             | 8,384             |
| <b>Subtotal Control Investments (29.8% of total investments at fair value)</b> |   |   |              | <b>\$ 439,674</b> | <b>\$ 594,282</b> |

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments (Continued)

December 31, 2016  
(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                              | Warrants (42 equivalent units)  |              | \$ 259  | \$ 670     |
|  |   | Member Units (186 units)(8)   |              | 1,200   | 2,750      |
|  |   |   |              | 1,459   | 3,420      |
| Barfly Ventures, LLC(10)               | Casual Restaurant Group   | 12% Secured Debt (Maturity August 31, 2020)   | 5,958        | 5,860   | 5,827      |
|  |   | Options (2 equivalent units)  |              | 397     | 490        |
|  |   | Warrant (1 equivalent unit)   |              | 473     | 280        |
|  |   |   |              | 6,730   | 6,597      |
| BBB Tank Services, LLC                 | Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market | LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity April 8, 2021)(9) | 800          | 797     | 797        |
|  |   | 15% Current Secured Debt (Maturity April 8, 2021)   | 4,027        | 3,991   | 3,991      |
|  |   | Member Units (800,000 units)  |              | 800     | 800        |
|  |   |   |              | 5,588   | 5,588      |
| Boss Industries, LLC                   | Manufacturer and Distributor of Air, Power and Other Industrial Equipment             | Preferred Member Units (2,242 units)(8)   |              | 2,426   | 2,800      |
|  |   |   |              |         |            |
| Bridge Capital Solutions Corporation   | Financial Services and Cash Flow Solutions Provider                                   | 13% Secured Debt (Maturity July 25, 2021)   | 7,500        | 5,610   | 5,610      |
|  |   | Warrants (63 equivalent shares)   |              | 2,132   | 3,370      |
|  |   | 13% Secured Debt (Mercury Service Group, LLC) (Maturity July 25, 2021)                          | 1,000        | 991     | 1,000      |
|  |   | Preferred Member Units (Mercury Service Group, LLC) (17,742 units)(8)                           |              | 1,000   | 1,000      |
|  |   |   |              | 9,733   | 10,980     |
| Buca C, LLC                            | Casual Restaurant Group   |   | 22,671       | 22,504  | 22,671     |

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|   |        |        |
|---|--------|--------|
| LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity June 30, 2020)(9)<br>Preferred Member Units (6 units; 6%<br>cumulative)(8) | 3,937  | 4,660  |
|   | 26,441 | 27,331 |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|--|---|---|--------------|---------|------------|
| CAI Software LLC                             | Provider of Specialized Enterprise Resource Planning Software | 12% Secured Debt (Maturity October 10, 2019)  | 3,683        | 3,660   | 3,683      |
|  |   | Member Units (65,356 units)(8)  |              | 654     | 2,480      |
|  |   |   |              | 4,314   | 6,163      |
| CapFusion, LLC(13)                           | Non-Bank Lender to Small Businesses                           | 13% Secured Debt (Maturity March 25, 2021)  | 14,400       | 13,202  | 13,202     |
|  |   | Warrants (1,600 equivalent units)   |              | 1,200   | 1,200      |
|  |   |   |              | 14,402  | 14,402     |
| Chandler Signs Holdings, LLC(10)             | Sign Manufacturer   | 12% Secured Debt (Maturity July 4, 2021)  | 4,500        | 4,461   | 4,500      |
|  |   | Class A Units (1,500,000 units)(8)  |              | 1,500   | 3,240      |
|  |   |   |              | 5,961   | 7,740      |
| Condit Exhibits, LLC                         | Tradeshaw Exhibits / Custom Displays Provider                 | Member Units (3,936 units)(8)   |              | 100     | 1,840      |
| Congruent Credit Opportunities Funds(12)(13) | Investment Partnership  | LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)  |              | 5,730   | 1,518      |
|  |   | LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8) |              | 15,754  | 16,181     |
|  |   |   |              | 21,484  | 17,699     |
| Daseke, Inc.                                 | Specialty Transportation Provider                             | 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018)                        | 21,799       | 21,632  | 21,799     |
|  |   | Common Stock (19,467 shares)  |              | 5,213   | 24,063     |
|  |   |   |              | 26,845  | 45,862     |
| Dos Rios Partners(12)(13)                    | Investment Partnership  | LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)                          |              | 5,996   | 4,925      |
|  |   | LP Interests (Dos Rios Partners A, LP) (Fully diluted 6.4%)                         |              | 1,904   | 1,444      |

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|  |   |   |       |                      |
|--|---|---|-------|----------------------|
|  |   |   | 7,900 | 6,369                |
| <b>Dos Rios Stone Products LLC(10)</b>           | Limestone and Sandstone<br>Dimension Cut Stone Mining<br>Quarries | Class A Units (2,000,000 units)(8)  | 2,000 | 2,070                |
| <b>East Teak Fine Hardwoods, Inc.</b>            | Distributor of Hardwood<br>Products                               | Common Stock (6,250 shares)(8)  | 480   | 860                  |
| <b>East West Copolymer &amp;<br/>Rubber, LLC</b> | Manufacturer of Synthetic<br>Rubbers                              | 12% Current / 2% PIK Secured Debt<br>(Maturity October 17, 2019)<br>Warrants (2,510,790 equivalent units) | 9,699 | 9,591<br>50<br>8,630 |
|  |   |   | 9,641 | 8,630                |

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

**December 31, 2016**  
**(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>EIG Fund Investments(12)(13)</b>             | Investment Partnership  | LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 11.1%)(8)  |                     | 2,804                    | 2,804                 |
| <b>EIG Traverse Co-Investment, L.P.(12)(13)</b> | Investment Partnership  | LP Interests (Fully diluted 22.2%)(8)   |                     | 9,805                    | 9,905                 |
| <b>Freeport Financial Funds(12)(13)</b>         | Investment Partnership  | LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)  |                     | 5,974                    | 5,620                 |
|   |   | LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.0%)(8)   |                     | 4,763                    | 4,763                 |
|   |   |   |                     | 10,737                   | 10,383                |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b>  | Purchases and Manages Collection of Healthcare and other Business Receivables | 10% Current Secured Debt (Maturity January 1, 2019)<br>Warrants (29,025 equivalent units)   | 13,046              | 13,046<br>400            | 11,079                |
|   |   |   |                     | 13,446                   | 11,079                |
| <b>Glowpoint, Inc.</b>                          | Provider of Cloud Managed Video Collaboration Services                        | 12% Secured Debt (Maturity October 18, 2018)<br>Common Stock (7,711,517 shares)   | 9,000               | 8,949<br>3,958           | 3,997<br>2,080        |
|   |   |   |                     | 12,907                   | 6,077                 |
| <b>Guerdon Modular Holdings, Inc.</b>           | Multi-Family and Commercial Modular Construction Company                      | 9% Current / 4% PIK Secured Debt (Maturity August 13, 2019)<br>Preferred Stock (404,998 shares)<br>Common Stock (212,033 shares)                | 10,708              | 10,594<br>1,140<br>2,983 | 10,594<br>1,140<br>80 |
|   |   |   |                     | 14,717                   | 11,814                |
| <b>Hawk Ridge Systems, LLC(13)</b>              | Value-Added Reseller of Engineering Design and Manufacturing Solutions        | 10% Secured Debt (Maturity December 2, 2021)<br>Preferred Member Units (226 units)(8)<br>Preferred Member Units (HRS Services, ULC) (226 units) | 10,000              | 9,901<br>2,850<br>150    | 9,901<br>2,850<br>150 |

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|  |   |   |        |        |
|--|---|---|--------|--------|
|  |   |   | 12,901 | 12,901 |
| <b>Houston Plating and Coatings, LLC</b> | Provider of Plating and Industrial Coating Services | Member Units (265,756 units)                                  | 1,429  | 4,000  |
| <b>I-45 SLF LLC(12)(13)</b>              | Investment Partnership                              | Member units (Fully diluted 20.0%; 24.4% profits interest)(8) | 14,200 | 14,586 |
|  |   | F-15  |        |        |

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

**December 31, 2016**  
**(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>Indianhead Pipeline Services, LLC</b>    | Provider of Pipeline Support Services                                  | 12% Secured Debt (Maturity February 6, 2017)            | 5,100               | 5,079          | 5,079             |
|   |  | Preferred Member Units (33,819 units; 8% cumulative)(8) |                     | 2,339          | 2,677             |
|   |  | Warrants (31,928 equivalent units)                      |                     | 459            |                   |
|   |  | Member Units (14,732 units)                             |                     | 1              |                   |
|   |  |   |                     | 7,878          | 7,756             |
| <b>KBK Industries, LLC</b>                  | Manufacturer of Specialty Oilfield and Industrial Products             | 10% Secured Debt (Maturity September 28, 2017)          | 1,250               | 1,250          | 1,250             |
|   |  | 12.5% Secured Debt (Maturity September 28, 2017)        | 5,900               | 5,889          | 5,889             |
|   |  | Member Units (250 units)                                |                     | 341            | 2,780             |
|   |  |   |                     | 7,480          | 9,919             |
| <b>L.F. Manufacturing Holdings, LLC(10)</b> | Manufacturer of Fiberglass Products                                    | Member Units (2,179,001 units)                          |                     | 2,019          | 1,380             |
| <b>OnAsset Intelligence, Inc.</b>           | Provider of Transportation Monitoring / Tracking Products and Services | 12% PIK Secured Debt (Maturity December 31, 2015)(17)   | 4,519               | 4,519          | 4,519             |
|   |  | Preferred Stock (912 shares; 7% cumulative)             |                     | 1,981          |                   |
|   |  | Warrants (5,333 equivalent shares)                      |                     | 1,919          |                   |
|   |  |   |                     | 8,419          | 4,519             |
| <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          | 1,600             |
|   |  |   |                     | 1,844          | 2,073             |
| <b>PCI Holding Company, Inc.</b>            | Manufacturer of Industrial Gas Generating Systems                      | 12% Secured Debt (Maturity March 31, 2019)              | 13,000              | 12,898         | 13,000            |
|   |  | Preferred Stock (1,500,000 shares; 20% cumulative)(8)   |                     | 3,379          | 5,370             |
|   |  |   |                     | 16,277         | 18,370            |



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|  |   |   |        |        |     |
|--|---|---|--------|--------|-----|
| <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 |

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

**December 31, 2016**  
(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>Tin Roof Acquisition Company</b>                  | Casual Restaurant Group  | 12% Secured Debt (Maturity November 13, 2018)<br>Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)   | 13,511              | 13,385<br>2,738<br>16,123              | 13,385<br>2,738<br>16,123              |
| <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)<br>LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity January 13, 2019)(9)<br>15% PIK Unsecured Debt (Maturity July 13, 2019)<br>Preferred Stock (4,935,377 shares; 13.5% cumulative)(8)<br>Common Stock (705,054 shares) | 5,021<br>824<br>745 | 5,010<br>824<br>745<br>5,814<br>12,393 | 5,021<br>824<br>745<br>6,410<br>16,010 |
| <b>Universal Wellhead Services Holdings, LLC(10)</b> | Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry | Preferred Member Units (UWS Investments, LLC) (716,949 units; 14% cumulative)<br>Member Units (UWS Investments, LLC) (4,000,000 units)  |                     | 717<br>4,000<br>4,717                  | 720<br>610<br>1,330                    |
| <b>Valley Healthcare Group, LLC</b>                  | Provider of Durable Medical Equipment  | LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.12%, Secured Debt (Maturity December 29, 2020)(9)<br>Preferred Member Units (Valley Healthcare Holding, LLC) (1,600 units)   | 12,956              | 12,844<br>1,600<br>14,444              | 12,844<br>1,600<br>14,444              |
| <b>Volusion, LLC</b>                                 | Provider of Online Software-as-a-Service eCommerce Solutions                     | 11.5% Secured Debt (Maturity January 26, 2020)  | 17,500              | 15,298                                 | 15,298                                 |

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|  |        |        |
|--|--------|--------|
| Preferred Member Units (4,876,670 units) | 14,000 | 14,000 |
| Warrants (1,831,355 equivalent units)    | 2,576  | 2,576  |
|  | 31,874 | 31,874 |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Subtotal Affiliate Investments (18.8% of total investments at fair value)</b> | <b>\$ 394,699</b> | <b>\$ 375,948</b> |
|--|-------------------|-------------------|

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments (Continued)

December 31, 2016  
(dollars in thousands)

| Portfolio Company(1)                            | Business Description   | Type of Investment(2)(3)  | Principal(4)    | Cost(4)         | Fair Value      |
|---|--|---|-----------------|-----------------|-----------------|
| <b>Non-Control/Non-Affiliate Investments(7)</b> |  |   |                 |                 |                 |
| Adams Publishing Group, LLC(10)                 | Local Newspaper Operator   | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity November 3, 2020)(9)   | \$ 7,662        | \$ 7,544        | \$ 7,662        |
| Ahead, LLC(10)                                  | IT Infrastructure Value Added Reseller                           | LIBOR Plus 6.50%, Current Coupon 7.50%, Secured Debt (Maturity November 2, 2020)  | 14,250          | 13,906          | 14,303          |
| Allflex Holdings III Inc.(11)                   | Manufacturer of Livestock Identification Products                | LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity July 19, 2021)(9)  | 14,795          | 14,706          | 14,809          |
| American Scaffold Holdings, Inc.(10)            | Marine Scaffolding Service Provider                              | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity March 31, 2022)(9)   | 7,359           | 7,258           | 7,323           |
| American Seafoods Group, LLC(11)                | Catcher and Processor of Alaskan Pollock                         | LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity August 19, 2021)(9)  | 9,634           | 9,624           | 9,634           |
| American Teleconferencing Services, Ltd.(11)    | Provider of Audio Conferencing and Video Collaboration Solutions | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity December 8, 2021)(9)<br>LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity June 6, 2022)(9) | 11,163<br>3,714 | 10,345<br>3,569 | 10,933<br>3,569 |
|   |  |   |                 | 13,914          | 14,502          |
| Anchor Hocking, LLC(11)                         | Household Products Manufacturer                                  | LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity June 4, 2018)(9)<br>Member Units (440,620 units)  | 2,277           | 2,277<br>4,928  | 2,231<br>3,305  |
|   |  |   |                 | 7,205           | 5,536           |

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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) | 7,209 | 7,099 | 7,194 |
|-----------------------------|---|--|-------|-------|-------|

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

**December 31, 2016**  
(dollars in thousands)

| Portfolio Company(1)         | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)      | Fair Value   |
|------------------------------|---|---|--------------|--------------|--------------|
| Apex Linen Service, Inc.     | Industrial Launderers   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity October 30, 2022)(9)   | 2,400        | 2,400        | 2,400        |
|                              |   | 13% Secured Debt (Maturity<br>October 30, 2022)   | 14,416       | 14,337       | 14,337       |
|                              |   |   |              | 16,737       | 16,737       |
| Applied Products, Inc.(10)   | Adhesives Distributor   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity September 30, 2019)(9) | 3,527        | 3,499        | 3,518        |
| Arcus Hunting LLC.(10)       | Manufacturer of<br>Bowhunting and Archery<br>Products and Accessories | LIBOR Plus 7.00% (Floor 1.00%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity November 13, 2019)(9)  | 13,947       | 13,796       | 13,947       |
| Artel, LLC(11)               | Provider of Secure<br>Satellite Network and IT<br>Solutions           | LIBOR Plus 7.00% (Floor 1.25%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity November 27, 2017)(9)  | 7,050        | 6,920        | 6,592        |
| ATI Investment Sub, Inc.(11) | Manufacturer of Solar<br>Tracking Systems                             | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity June 22, 2021)(9)      | 9,500        | 9,322        | 9,476        |
| ATS Workholding, Inc.(10)    | Manufacturer of Machine<br>Cutting Tools and<br>Accessories           | LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity March 10, 2019)(9)    | 6,173        | 6,146        | 5,924        |
| ATX Networks Corp.(11)(13)   | Provider of Radio<br>Frequency Management<br>Equipment                | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity June 11, 2021)(9)      | 11,790       | 11,604       | 11,584       |
| Berry Aviation, Inc.(10)     | Airline Charter Service<br>Operator                                   | 12.00% Current / 1.75% PIK Secured<br>Debt (Maturity January 30, 2020)<br>Common Stock (553 shares)       | 5,627        | 5,588<br>400 | 5,627<br>820 |

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|                                  |  |   |        |        |
|----------------------------------|--|---|--------|--------|
|                                  |  |   | 5,988  | 6,447  |
| <b>Bluestem Brands, Inc.(11)</b> | Multi-Channel Retailer<br>of General Merchandise | LIBOR Plus 7.50% (Floor 1.00%),<br>Current Coupon 8.50%, Secured Debt<br>(Maturity November 6, 2020)(9) | 12,880 | 12,635 |
|                                  |  |   |        | 11,227 |

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

**December 31, 2016**  
**(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 Newspaper Circulation Software                            | Prime Plus 9.25% (Floor 3.25%), Current Coupon 13.00%, Secured Debt (Maturity July 22, 2019)(9)  | 6,733        | 6,684                   | 6,733                   |
| <b>Brightwood Capital Fund Investments(12)(13)</b> | Investment Partnership  | LP Interests (Brightwood Capital Fund III, LP) (Fully diluted 1.6%)(8)<br>LP Interests (Brightwood Capital Fund IV, LP) (Fully diluted 0.9%) |              | 12,000<br>500<br>12,500 | 11,094<br>500<br>11,594 |
| <b>Brundage-Bone Concrete Pumping, Inc.(11)</b>    | Construction Services Provider  | 10.375% Secured Debt (Maturity September 1, 2021)  | 3,000        | 2,985                   | 3,240                   |
| <b>California Pizza Kitchen, Inc.(11)</b>          | Casual Restaurant Group   | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 23, 2022)(9)   | 4,988        | 4,940                   | 4,976                   |
| <b>Cenveo Corporation(11)</b>                      | Provider of Commercial Printing, Envelopes, Labels, and Printed Office Products | 6% Secured Debt (Maturity August 1, 2019)  | 13,130       | 11,097                  | 11,719                  |
| <b>CDHA Management, LLC(10)</b>                    | Dental Services   | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity December 5, 2021)(9)  | 4,491        | 4,415                   | 4,415                   |
| <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       | 14,141                  | 8,724                   |
| <b>Clarius BIGS, LLC(10)</b>                       | Prints & Advertising Film Financing   | 15% PIK Secured Debt (Maturity January 5, 2015)(14)(17)  | 2,928        | 2,928                   | 88                      |
| <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        | 4,095<br>1,079          | 4,100<br>4,180          |



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|                                  |  |  |       |       |
|----------------------------------|--|--|-------|-------|
|                                  |  |  | 5,174 | 8,280 |
| <b>Compuware Corporation(11)</b> | Provider of Software and Supporting Services | LIBOR Plus 5.25% (Floor 1.00%),<br>Current Coupon 6.25%, Secured Debt<br>(Maturity December 15, 2019)(9) | 8,345 | 8,187 |
|                                  |  |  |       | 8,398 |
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Table of Contents**MAIN STREET CAPITAL CORPORATION****Consolidated Schedule of Investments (Continued)**

**December 31, 2016**  
**(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>Construction Supply Investments, LLC(10)</b> | Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors | LIBOR Plus 9.50% (Floor 1.00%),<br>Current Coupon 10.50%, Secured Debt<br>(Maturity June 30, 2023)(9)<br>Member Units (20,000 units) | 8,500               | 8,416<br>2,000 | 8,416<br>2,000    |
|   |  |  |                     | 10,416         | 10,416            |
| <b>ContextMedia Health, LLC(11)</b>             | Provider of Healthcare Media Content   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 23, 2021)(9)                             | 8,000               | 7,201          | 7,320             |
| <b>Covenant Surgical Partners, Inc.(11)</b>     | Ambulatory Surgical Centers  | 8.75% Secured Debt (Maturity August 1, 2019)   | 800                 | 800            | 772               |
| <b>CRGT Inc.(11)</b>                            | Provider of Custom Software Development  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity December 19, 2020)(9)                             | 6,366               | 6,286          | 6,382             |
| <b>CST Industries Inc.(11)</b>                  | Storage Tank Manufacturer  | LIBOR Plus 6.25% (Floor 1.50%),<br>Current Coupon 7.75%, Secured Debt<br>(Maturity May 22, 2017)(9)                                  | 9,102               | 9,084          | 9,102             |
| <b>Darr Equipment LP(10)</b>                    | Heavy Equipment Dealer   | 12% Current / 2% PIK Secured Debt<br>(Maturity April 15, 2020)<br>Warrants (915,734 equivalent units)                                | 21,130              | 20,697<br>474  | 20,748<br>10      |
|   |  |  |                     | 21,171         | 20,758            |
| <b>Digital River, Inc.(11)</b>                  | Provider of Outsourced e-Commerce Solutions and Services   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity February 12, 2021)(9)                             | 15,184              | 15,086         | 15,317            |
| <b>Digital Room LLC(11)</b>                     | Pure-Play e-Commerce Print Business  | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity November 21, 2022)(9)                             | 7,625               | 7,475          | 7,549             |

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|                                     |  |                                 |       |        |
|-------------------------------------|--|---------------------------------|-------|--------|
| <b>Drilling Info Holdings, Inc.</b> | Information Services for<br>the Oil and Gas Industry | Common Stock (3,788,865 shares) | 1,335 | 10,410 |
|-------------------------------------|--|---------------------------------|-------|--------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)   | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4)  | Fair Value  |
|--|--|---|--------------|--|---|
| <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<br>(Maturity November 26, 2019)(9)   | 5,625        | 5,589  | 5,625   |
| <b>EnCap Energy Fund Investments(12)(13)</b>                   | Investment Partnership   | LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)<br>LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.) (Fully diluted 0.4%)<br>LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)<br>LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)<br>LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)<br>LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)(8) |              | 3,877<br>2,200<br>3,957<br>3,039<br>9,116<br>2,513<br>24,702 | 1,955<br>1,225<br>3,680<br>3,039<br>10,452<br>2,461<br>22,812 |
| <b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)(13)</b> | Technology-based Performance Support Solutions                     | LIBOR Plus 8.25% (Floor 1.00%),<br>Current Coupon 9.25%, Secured Debt<br>(Maturity April 28, 2022)(9)   | 7,000        | 6,857  | 5,274   |
| <b>Flavors Holdings Inc.(11)</b>                               | Global Provider of Flavoring and Sweetening Products and Solutions | LIBOR Plus 5.75% (Floor 1.00%),<br>Current Coupon 6.75%, Secured Debt<br>(Maturity April 3, 2020)(9)  | 12,483       | 12,082   | 10,174  |
| <b>GI KBS Merger Sub LLC(11)</b>                               | Outsourced Janitorial Services to Retail/Grocery Customers         | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity October 29, 2021)(9)<br>LIBOR Plus 8.50% (Floor 1.00%),<br>Current Coupon 9.50%, Secured Debt<br>(Maturity April 29, 2022)(9)  | 3,900<br>800 | 3,851<br>787<br>4,638  | 3,842<br>760<br>4,602   |

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                      | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4) | Fair Value |
|---|--|---|--------------|---------|------------|
| <b>Grace Hill, LLC(10)</b>                | Online Training Tools for the Multi-Family Housing Industry                            | Prime Plus 5.25% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity August 15, 2019)(9)  | 634          | 623     | 634        |
|   |  | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity August 15, 2019)(9)  | 11,552       | 11,472  | 11,552     |
|   |  |   |              | 12,095  | 12,186     |
| <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) | 7,648        | 7,598   | 7,648      |
| <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) | 4,813        | 4,787   | 3,734      |
|   |  | 13.75% Secured Debt (Maturity July 31, 2018)  | 2,000        | 1,962   | 1,205      |
|   |  |   |              | 6,749   | 4,939      |
| <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)    | 13,317       | 13,215  | 13,017     |
| <b>Guitar Center, Inc.(11)</b>            | Musical Instruments Retailer   | 6.5% Secured Debt (Maturity April 15, 2019)   | 14,625       | 13,890  | 13,272     |
| <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)    | 5,432        | 5,390   | 5,432      |
| <b>Hoover Group, Inc.(10)(13)</b>         | Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity January 28, 2021)(9) | 8,546        | 7,963   | 7,963      |

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Horizon Global Corporation(11)(13)

Auto Parts Manufacturer

LIBOR Plus 6.00% (Floor 1.00%),  
Current Coupon 7.00%, Secured Debt  
(Maturity June 30, 2021)(9)

9,375

9,249

9,551

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                            | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)      | Fair Value     |
|---|---|---|--------------|--------------|----------------|
| <b>Hostway Corporation(11)</b>                  | Managed Services and Hosting Provider                       | LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity December 13, 2019)(9)  | 10,577       | 10,515       | 10,028         |
| <b>Hunter Defense Technologies, Inc.(11)</b>    | Provider of Military and Commercial Shelters and Systems    | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity August 5, 2019)(9)   | 9,606        | 9,120        | 8,933          |
| <b>Hygea Holdings, Corp.(10)</b>                | Provider of Physician Services                              | LIBOR Plus 9.25%, Current Coupon 10.17%, Secured Debt (Maturity February 24, 2019)<br>Warrants (5,990,452 equivalent shares)                  | 7,875        | 7,381<br>369 | 7,615<br>1,530 |
|   |   |   |              | 7,750        | 9,145          |
| <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)  | 9,918        | 9,467        | 9,621          |
| <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)  | 6,750        | 6,455        | 6,809          |
| <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)  | 8,949        | 8,932        | 8,949          |
| <b>Industrial Services Acquisition, LLC(10)</b> | Industrial Cleaning Services                                | 11.25% Current / 0.75% PIK Unsecured Debt (Maturity December 17, 2022)<br>Member Units (Industrial Services Investments, LLC) (900,000 units) | 4,519        | 4,433<br>900 | 4,433<br>900   |
|   |   |   |              | 5,333        | 5,333          |
| <b>Infinity Acquisition Finance Corp.(11)</b>   | Application Software for Capital Markets                    | 7.25% Unsecured Debt (Maturity August 1, 2022)  | 5,700        | 5,366        | 4,802          |

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|   |                                 |   |       |       |       |
|---|---------------------------------|---|-------|-------|-------|
| <b>Inn of the Mountain Gods Resort and Casino(11)</b> | Hotel & Casino Owner & Operator | 9.25% Secured Debt (Maturity November 30, 2020) | 6,249 | 5,924 | 5,687 |
|---|---------------------------------|---|-------|-------|-------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                               | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|--|---|--|--------------|---------|------------|
| <b>Intertain Group Limited(11)(13)</b>             | Business-to-Consumer<br>Online Gaming Operator                            | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity April 8, 2022)(9)   | 4,426        | 4,364   | 4,465      |
| <b>iPayment, Inc.(11)</b>                          | Provider of Merchant<br>Acquisition                                       | LIBOR Plus 5.25% (Floor 1.50%),<br>Current Coupon 6.75%, Secured Debt<br>(Maturity May 8, 2017)(9)   | 14,918       | 14,907  | 14,395     |
| <b>iQor US Inc.(11)</b>                            | Business Process<br>Outsourcing Services<br>Provider                      | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity April 1, 2021)(9)   | 9,812        | 9,671   | 9,413      |
| <b>irth Solutions, LLC</b>                         | Provider of Damage<br>Prevention Information<br>Technology Services       | Member Units (27,893 units)  |              | 1,441   | 1,790      |
| <b>Jackmont Hospitality, Inc.(10)</b>              | Franchisee of Casual<br>Dining Restaurants                                | LIBOR Plus 4.25% (Floor 1.00%),<br>Current Coupon 5.25% / 2.50% PIK,<br>Current Coupon Plus PIK 7.75%,<br>Secured Debt (Maturity May 26,<br>2021)(9) | 4,445        | 4,429   | 4,445      |
| <b>Joerns Healthcare, LLC(11)</b>                  | Manufacturer and<br>Distributor of Health<br>Care Equipment &<br>Supplies | LIBOR Plus 5.00% (Floor 1.00%),<br>Current Coupon 6.00%, Secured Debt<br>(Maturity May 9, 2020)(9)   | 14,655       | 14,560  | 13,776     |
| <b>JSS Holdings, Inc.(11)</b>                      | Aircraft Maintenance<br>Program Provider                                  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity August 31, 2021)(9)   | 12,829       | 12,562  | 12,765     |
| <b>Kendra Scott, LLC(11)</b>                       | Jewelry Retail Stores   | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity July 17, 2020)(9)   | 5,578        | 5,536   | 5,550      |
| <b>Keypoint Government<br/>Solutions, Inc.(11)</b> | Provider of<br>Pre-Employment<br>Screening Services                       |  | 5,459        | 5,443   | 5,431      |

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LIBOR Plus 6.50% (Floor 1.25%),  
Current Coupon 7.75%, Secured Debt  
(Maturity November 13, 2017)(9)

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments (Continued)

December 31, 2016  
(dollars in thousands)

| Portfolio Company(1)                              | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4)           | Fair Value        |
|---|---|--|--------------|-------------------|-------------------|
| <b>LaMi Products, LLC(10)</b>                     | General Merchandise Distribution  | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity September 16, 2020)(9)  | 10,735       | 10,658            | 10,735            |
| <b>Larchmont Resources, LLC(11)</b>               | Oil & Gas Exploration & Production  | LIBOR Plus 9.00% (Floor 1.00%),<br>Current Coupon 10.00%, PIK Secured<br>Debt (Maturity August 7, 2020)(9)<br>Member Units (Larchmont Intermediate<br>Holdco, LLC) (2,828 units) | 2,260        | 2,260<br>353      | 2,209<br>1,193    |
|   |   |  |              | 2,613             | 3,402             |
| <b>LKCM Headwater Investments I, L.P.(12)(13)</b> | Investment Partnership  | LP Interests (Fully diluted 2.3%)  |              | 2,500             | 3,627             |
| <b>Logix Acquisition Company, LLC(10)</b>         | Competitive Local Exchange Carrier  | LIBOR Plus 8.28% (Floor 1.00%),<br>Current Coupon 9.28%, Secured Debt<br>(Maturity June 24, 2021)(9)   | 8,593        | 8,457             | 8,593             |
| <b>Looking Glass Investments, LLC(12)(13)</b>     | Specialty Consumer 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>160 | 188<br>125<br>160 |
|   |   |  |              | 473               | 473               |
| <b>Messenger, LLC(10)</b>                         | Supplier of Specialty Stationery and Related Products to the Funeral Industry | LIBOR Plus 7.25% (Floor 1.00%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity September 9, 2020)(9)   | 14,403       | 14,326            | 14,403            |
| <b>Minute Key, Inc.</b>                           | Operator of Automated Key Duplication Kiosks                                  | 10% Current / 2% PIK Secured Debt<br>(Maturity September 19, 2019)<br>Warrants (1,437,409 equivalent units)  | 15,700       | 15,404<br>280     | 15,404<br>470     |
|   |   |  |              | 15,684            | 15,874            |
| <b>Mood Media Corporation(11)(13)</b>             |   |  |              |                   |                   |

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Provider of Electronic  
Equipment

LIBOR Plus 6.00% (Floor 1.00%),  
Current Coupon 7.00%, Secured Debt  
(Maturity May 1, 2019)(9)

14,805

14,645

14,312

**New Media Holdings II LLC(11)(13)**

Local Newspaper  
Operator

LIBOR Plus 6.25% (Floor 1.00%),  
Current Coupon 7.25%, Secured Debt  
(Maturity June 4, 2020)(9)

14,888

14,632

14,813

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                             | Business Description                                  | Type of Investment(2)(3)   | Principal(4) | Cost(4)               | Fair Value          |
|--|---|--|--------------|-----------------------|---------------------|
| <b>North American Lifting Holdings, Inc.(11)</b> | Crane Service Provider                                | LIBOR Plus 4.50% (Floor 1.00%),<br>Current Coupon 5.50%, Secured Debt<br>(Maturity November 27, 2020)(9)                       | 3,865        | 3,235                 | 3,375               |
| <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)                        | 9,396        | 9,343                 | 9,337               |
| <b>Novitex Intermediate, LLC(11)</b>             | Provider of Document Management Services              | LIBOR Plus 6.75% (Floor 1.25%),<br>Current Coupon 8.00%, Secured Debt<br>(Maturity July 7, 2020)(9)                            | 9,335        | 9,175                 | 8,985               |
| <b>NTM Acquisition Corp.(11)</b>                 | Provider of B2B Travel Information Content            | LIBOR Plus 6.25% (Floor 1.00%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity June 7, 2022)(9)                            | 4,144        | 4,085                 | 4,128               |
| <b>Ospemifene Royalty Sub LLC (QuatRx)(10)</b>   | Estrogen-Deficiency Drug Manufacturer and Distributor | 11.5% Secured Debt (Maturity November 15, 2026)(14)  | 5,071        | 5,071                 | 2,088               |
| <b>Pardus Oil and Gas, LLC(11)</b>               | Oil & Gas Exploration & Production                    | 13% PIK Secured Debt (Maturity November 12, 2021)<br>5% PIK Secured Debt (Maturity May 13, 2022)<br>Member Units (2,472 units) | 1,869<br>992 | 1,869<br>992<br>2,472 | 1,869<br>562<br>970 |
|  |   |  |              | 5,333                 | 3,401               |
| <b>Paris Presents Incorporated(11)</b>           | Branded Cosmetic and Bath Accessories                 | LIBOR Plus 8.75% (Floor 1.00%),<br>Current Coupon 9.75%, Secured Debt<br>(Maturity December 31, 2021)(9)                       | 2,000        | 1,969                 | 1,960               |
| <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)                       | 7,500        | 7,394                 | 7,388               |
| <b>Permian Holdco 2, Inc.(11)</b>                | Storage Tank Manufacturer                             |  |              |                       |                     |

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|   |     |     |     |
|---|-----|-----|-----|
| 14% PIK Unsecured Debt (Maturity<br>October 15, 2021)       | 198 | 198 | 198 |
| Preferred Stock (Permian Holdco<br>1, Inc.) (154,558 units) |     | 799 | 799 |
| Common Stock (Permian Holdco<br>1, Inc.) (154,558 units)    |     |     |     |
|   |     | 997 | 997 |

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**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                          | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)          | Fair Value   |
|---|---|---|--------------|------------------|--------------|
| <b>Pernix Therapeutics Holdings, Inc.(10)</b> | Pharmaceutical Royalty  | 12% Secured Debt (Maturity August 1, 2020)  | 3,447        | 3,447            | 3,326        |
| <b>Pet Holdings ULC(11)(13)</b>               | Retailer of Pet Products and Supplies to Consumers  | LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity July 5, 2022)(9)       | 2,494        | 2,470            | 2,503        |
| <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)      | 14,000       | 13,720           | 14,082       |
| <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 | <br>63<br>63 |
| <b>Polycom, Inc.(11)</b>                      | Provider of Audio and Video Communication Solutions   | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 27, 2023)(9) | 12,089       | 11,617           | 12,194       |
| <b>PPC/SHIFT LLC(10)</b>                      | Provider of Digital Solutions to Automotive Industry  | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity June 6, 2022)(9)       | 7,000        | 6,852            | 6,852        |
| <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)   | 9,519        | 7,904            | 7,044        |
| <b>PT Network, LLC(10)</b>                    | Provider of Outpatient Physical Therapy and Sports Medicine Services                            | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity November 30, 2021)(9)  | 16,225       | 15,979           | 15,979       |

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|                             |   |   |        |        |        |
|-----------------------------|---|---|--------|--------|--------|
| <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) | 11,274 | 11,201 | 11,161 |
|-----------------------------|---|---|--------|--------|--------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                         | Business Description   | Type of Investment(2)(3)  | Principal(4) | Cost(4)          | Fair Value       |
|--|--|---|--------------|------------------|------------------|
| <b>Raley's(11)</b>                           | Family-Owned Supermarket Chain   | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity May 18, 2022)(9)       | 4,195        | 4,125            | 4,242            |
| <b>Redbox Automated Retail, LLC(11)</b>      | Operator of Home Media Entertainment Kiosks                            | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity September 27, 2021)(9) | 15,000       | 14,581           | 14,629           |
| <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        | 2,978            | 2,987            |
| <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)    | 3,910        | 3,826            | 880              |
| <b>RM Bidder, LLC(10)</b>                    | Scripted and Unscripted TV and Digital Programming Provider            | Warrants (327,532 equivalent units)<br>Member Units (2,779 units)                                   |              | 425<br>46<br>471 | 300<br>44<br>344 |
| <b>SAExploration, Inc.(10)(13)</b>           | Geophysical Services Provider  | Common Stock (50 shares)  |              | 65               | 3                |
| <b>SAFETY Investment Holdings, LLC</b>       | Provider of Intelligent Driver Record Monitoring Software and Services | Member Units (2,000,000 units)  |              | 2,000            | 2,000            |
| <b>Salient Partners L.P.(11)</b>             | Provider of Asset Management Services                                  | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity June 9, 2021)(9)       | 10,812       | 10,538           | 10,352           |
| <b>School Specialty, Inc.(11)</b>            | Distributor of Education Supplies and Furniture                        | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity June 11, 2019)(9)      | 5,712        | 5,632            | 5,784            |

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|   |   |   |        |        |        |
|---|---|---|--------|--------|--------|
| <b>Sigma Electric Manufacturing Corporation(10)(13)</b> | Manufacturer and Distributor of Electrical Fittings and Parts | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity October 13, 2021)(9) | 12,500 | 12,200 | 12,200 |
|---|---|---|--------|--------|--------|

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                           | Business Description  | Type of Investment(2)(3)   | Principal(4) | Cost(4) | Fair Value |
|--|---|--|--------------|---------|------------|
| <b>Sorenson Communications, Inc.(11)</b>       | Manufacturer of Communication Products for Hearing Impaired | LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.00%, Secured Debt (Maturity April 30, 2020)(9)  | 13,371       | 13,283  | 13,271     |
| <b>Strike, LLC(11)</b>                         | Pipeline Construction and Maintenance Services              | LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity November 30, 2022)(9)   | 10,000       | 9,666   | 9,864      |
| <b>Subsea Global Solutions, LLC(10)</b>        | Underwater Maintenance and Repair Services                  | LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 17, 2020)(9)  | 5,629        | 5,588   | 5,624      |
| <b>Synagro Infrastructure Company, Inc(11)</b> | Waste Management Services                                   | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)   | 4,714        | 4,659   | 4,136      |
| <b>Targus International, LLC(11)</b>           | Distributor of Protective Cases for Mobile Devices          | 15% PIK Secured Debt (Maturity December 31, 2019)<br>Common Stock (Targus Cayman HoldCo Limited) (249,614 shares)(13)  | 1,140        | 2,555   | 2,260      |
|  |   |  |              | 3,695   | 3,400      |
| <b>TE Holdings, LLC(11)</b>                    | Oil & Gas Exploration & Production                          | Member Units (97,048 units)  |              | 970     | 728        |
| <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) | 7,622        | 7,613   | 7,546      |
|  |   |  | 10,500       | 10,442  | 10,290     |
|  |   |  |              | 18,055  | 17,836     |
| <b>The Topps Company, Inc.(11)</b>             | Trading Cards & Confectionary                               |  | 2,218        | 2,208   | 2,226      |

LIBOR Plus 6.00% (Floor 1.25%),  
Current Coupon 7.25%, Secured Debt  
(Maturity October 2, 2020)(9)

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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                                      | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)         | Fair Value      |
|---|---|---|--------------|-----------------|-----------------|
| <b>TMC Merger Sub Corp.(11)</b>                           | Refractory & Maintenance Services Provider                    | LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity October 31, 2022)(9) | 12,500       | 12,376          | 12,438          |
| <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) | 4,913        | 4,567           | 3,635           |
| <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) | 10,994       | 10,936          | 10,975          |
| <b>Truck Bodies and Equipment International, Inc.(10)</b> | Manufacturer of Dump Truck Bodies and Dump Trailers           | LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity March 31, 2021)(9)   | 15,750       | 15,602          | 15,602          |
| <b>TVG-I-E CMN ACQUISITION, LLC(10)</b>                   | Organic Lead Generation for Online Postsecondary Schools      | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity November 3, 2021)(9) | 6,459        | 6,334           | 6,334           |
| <b>Tweddle Group, Inc.(11)</b>                            | Provider of Technical Information Services to Automotive OEMs | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity October 21, 2022)(9) | 8,462        | 8,295           | 8,419           |
| <b>UniRush, LLC</b>                                       | Provider of Prepaid Debit Card Solutions                      | 12% Secured Debt (Maturity February 1, 2019)<br>Warrants (444,725 equivalent units)               | 12,000       | 10,981<br>1,250 | 12,000<br>1,250 |
|   |   |   |              | 12,231          | 13,250          |
| <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)   | 11,514       | 11,435          | 11,456          |



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

**December 31, 2016**  
**(dollars in thousands)**

| Portfolio Company(1)                     | Business Description  | Type of Investment(2)(3)  | Principal(4) | Cost(4)             | Fair Value          |
|--|---|---|--------------|---------------------|---------------------|
| <b>U.S. TelePacific Corp.(10)</b>        | Provider of Communications and Managed Services                               | LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity February 24, 2021)(9)                                      | 7,500        | 7,377               | 7,377               |
| <b>VCVH Holding Corp. (Verisk)(11)</b>   | Healthcare Technology Services Focused on Revenue Maximization                | LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 10.25%, Secured Debt (Maturity June 1, 2024)(9)  | 1,500        | 1,464               | 1,488               |
| <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        | 1,559<br>333<br>186 | 1,559<br>612<br>220 |
|  |   |   |              | 2,078               | 2,391               |
| <b>Wellnext, LLC(10)</b>                 | Manufacturer of Supplements and Vitamins                                      | LIBOR Plus 9.00% (Floor 0.50%), Current Coupon 9.85%, Secured Debt (Maturity May 23, 2021)(9)   | 10,058       | 9,968               | 10,058              |
| <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        | 4,902               | 4,885               |
| <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)  | 1,153        | 1,147               | 1,093               |
| <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)                                       | 6,386        | 6,342               | 6,386               |
| <b>YP Holdings LLC(11)</b>               | Online and Offline Advertising Operator                                       |   | 11,428       | 10,969              | 11,398              |

LIBOR Plus 11.00% (Floor 1.25%),  
Current Coupon 12.25%, Secured Debt  
(Maturity June 4, 2018)(9)

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

**December 31, 2016**  
**(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>Zilliant Incorporated</b>   | Price Optimization and<br>Margin Management<br>Solutions | Preferred Stock (186,777 shares)<br>Warrants (952,500 equivalent shares) |                     | 154<br>1,071        | 260<br>1,190        |
|  |  |  |                     | 1,225               | 1,450               |
| <b>Subtotal Non-Control/Non-Affiliate Investments (51.4% of total investments at fair value)</b> |  |  |                     | <b>\$ 1,037,510</b> | <b>\$ 1,026,676</b> |
| <b>Total Portfolio Investments, December 31, 2016</b>  |  |  |                     | <b>\$ 1,871,883</b> | <b>\$ 1,996,906</b> |

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## MAIN STREET CAPITAL CORPORATION

## Consolidated Schedule of Investments (Continued)

December 31, 2016  
(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>   |   |                          |              |              |              |
| Other Marketable Securities and Idle Funds Investments(13)(15)                                      | Investments in Marketable Securities and Diversified, Registered Bond Funds |                          |              | \$           | \$           |
| Subtotal Marketable Securities and Idle Funds Investments (0.0% of total investments at fair value) |   |                          |              | \$           | \$           |
| Total Investments, December 31, 2016  |   |                          |              | \$ 1,871,883 | \$ 1,996,906 |

- (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. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2016. As noted in this schedule, 64% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.50% and 2.25%, with a weighted-average LIBOR floor of approximately 1.04%.

- (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, 2015  
(dollars in thousands)

| Portfolio Company(1)           | Business Description                                | Type of Investment(2)(3)  | Principal(4) | Cost(4)    | Fair Value |
|--------------------------------|---|---|--------------|------------|------------|
| <b>Control Investments(5)</b>  |   |   |              |            |            |
| Access Media Holdings, LLC(10) | Private Cable Operator                              | 5.00% Current / 5.00% PIK Secured Debt (Maturity July 22, 2020)                     | \$ 21,554    | \$ 21,554  | \$ 20,380  |
|                                |   | Preferred Member Units (4,500,000 units; 12% cumulative)<br>Member Units (45 units) |              | 4,394<br>1 | 2,000      |
|                                |   |   |              | 25,949     | 22,380     |
| AmeriTech College, LLC         | For-Profit Nursing and Healthcare College           | 10% Secured Debt (Maturity May 15, 2016)  | 514          | 514        | 514        |
|                                |   | 10% Secured Debt (Maturity November 30, 2019)                                       | 489          | 489        | 489        |
|                                |   | 10% Secured Debt (Maturity January 31, 2020)  | 3,025        | 3,025      | 3,025      |
|                                |   | Preferred Member Units (294 units; 5%)(8)   |              | 2,291      | 2,291      |
|                                |   |   |              | 6,319      | 6,319      |
| ASC Interests, LLC             | Recreational and Educational Shooting Facility      | 11% Secured Debt (Maturity July 31, 2018)   | 2,500        | 2,470      | 2,500      |
|                                |   | Member Units (1,500 units)(8)   |              | 1,500      | 2,230      |
|                                |   |   |              | 3,970      | 4,730      |
| Bond-Coat, Inc.                | Casing and Tubing Coating Services                  | 12% Secured Debt (Maturity December 28, 2017)                                       | 11,596       | 11,521     | 11,596     |
|                                |   | Common Stock (57,508 shares)  |              | 6,350      | 9,140      |
|                                |   |   |              | 17,871     | 20,736     |
| Café Brazil, LLC               | Casual Restaurant Group                             | Member Units (1,233 units)(8)   |              | 1,742      | 7,330      |
| CBT Nuggets, LLC               | Produces and Sells IT Training Certification Videos | Member Units (416 units)(8)   |              | 1,300      | 42,120     |
| CMS Minerals LLC               | Oil & Gas Exploration & Production                  |   |              |            |            |

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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 |
|                     |  |  |        |        |        |

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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>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             |
|   |   | Preferred Member Units (3,200 units)(8)   |                     | 3,942          | 3,942             |
|   |   |   |                     |                |                   |

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|                        |  |   |        |        |
|------------------------|--|---|--------|--------|
|                        |  |   | 13,826 | 13,826 |
| <b>Hydratec, Inc.</b>  | Designer and Installer of Micro-Irrigation Systems               | Common Stock (7,095 shares)(8)                  | 7,095  | 14,950 |
| <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 |
|                        |  | Member Units (5,400 units)                      |        | 5,606  |
|                        |  |   | 16,887 | 17,790 |

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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>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             |
| <b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b> | Fabricator of Marine and Industrial Shelters                     | 12% PIK Secured Debt (Maturity 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          |   |                     |                |                   |



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|   |        |        |        |
|---|--------|--------|--------|
| 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 |

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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>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 |

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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>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 |

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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>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          | 5,841             |
| <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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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>Affiliate Investments(6)</u></b>      |   |  |              |           |            |
| <b>AFG Capital Group, LLC</b>               | 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)   |              | 259       | 490        |
|   |   | Member Units (186 units)   |              | 1,200     | 2,020      |
|   |   |  |              | 14,070    | 15,300     |
| <b>Boss Industries, LLC</b>                 | Manufacturer and Distributor of Air, Power and Other Industrial Equipment | Preferred Member Units (2,242 units)(8)  |              | 2,246     | 2,586      |
| <b>Bridge Capital Solutions Corporation</b> | 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      |
| <b>Buca C, LLC</b>                          | 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     |
| <b>CAI Software LLC</b>                     | 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      |
| <b>Condit Exhibits, LLC</b>                 | Tradeshow Exhibits / Custom Displays Provider                             | Member Units (3,936 units)(8)  |              | 100       | 1,010      |



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

Investment Partnership

|   |        |        |
|---|--------|--------|
| 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 |

**Daseke, Inc.**

Specialty Transportation Provider

|  |        |        |        |
|--|--------|--------|--------|
| 12% Current / 2.5% PIK Secured Debt (Maturity July 31, 2018) | 21,253 | 21,003 | 21,253 |
| Common Stock (19,467 shares)                                 |        | 5,213  | 22,660 |
|  |        | 26,216 | 43,913 |

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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>Dos Rios Partners(12)(13)</b>                    | Investment Partnership                                       | LP Interests (Dos Rios Partners, LP)<br>(Fully diluted 20.2%)               |                     | 3,104          | 2,031             |
|   |  | LP Interests (Dos Rios Partners A, LP)<br>(Fully diluted 6.4%)              |                     | 986            | 648               |
|   |  |   |                     | 4,090          | 2,679             |
| <b>East Teak Fine Hardwoods, Inc.</b>               | Distributor of<br>Hardwood Products                          | Common Stock (6,250 shares)(8)  |                     | 480            | 860               |
| <b>East West Copolymer &amp; Rubber, LLC</b>        | Manufacturer of<br>Synthetic Rubbers                         | 12% Secured Debt (Maturity October 17,<br>2019)                             | 9,600               | 9,463          | 9,463             |
|   |  | Warrants (2,510,790 equivalent units)                                       |                     | 50             | 50                |
|   |  |   |                     | 9,513          | 9,513             |
| <b>EIG Traverse<br/>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<br>Fund LP) (Fully diluted 9.9%)(8)   |                     | 5,974          | 6,045             |
|   |  | LP Interests (Freeport First Lien Loan<br>Fund III LP) (Fully diluted 6.4%) |                     | 2,077          | 2,077             |
|   |  |   |                     | 8,051          | 8,122             |
| <b>Gault Financial, LLC (RMB<br/>Capital, LLC)</b>  | Purchases and<br>Manages Liquidation<br>of Distressed Assets | 10% Secured Debt (Maturity<br>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<br>Managed Video<br>Collaboration Services | 8% Secured Debt (Maturity October 18,<br>2018)                              | 400                 | 397            | 397               |
|   |  | 12% Secured Debt (Maturity October 18,<br>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  |

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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>I-45 SLF LLC(12)(13)</b>                 | Investment Partnership   | Member units (Fully diluted 20.0%; 24.4% profits interest) |                     | 7,200          | 7,200             |
| <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>            |  |  |                     |                |                   |

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Manufacturer of  
Industrial Gas  
Generating Systems

Preferred Stock (1,500,000 shares; 20%  
cumulative)(8)

2,762

4,887

**Radial Drilling Services Inc.**

Oil and Gas Lateral  
Drilling Technology  
Provider

12% Secured Debt (Maturity  
November 22, 2016)(14)  
Warrants (316 equivalent shares)

4,200

3,941

1,500

758

4,699

1,500

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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>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, Current Coupon Plus PIK 10.50%, 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)  |              | 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> |  |   | \$ 333,728 | \$ 350,519 |        |

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<br>Multi-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 |

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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>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 |
| Warrant (1 equivalent unit)                 |       | 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 |

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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>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)   | 626          | 620     | 620        |
|   |  | LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity July 22, 2019)(9)    | 6,185        | 6,126   | 6,012      |
|   |  |   |              | 6,746   | 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        |

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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>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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Evergreen Skills Lux S.á r.l. (d/b/a  
Skillsoft)(11)(13)

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

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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>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      |
| <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  |  |              |         |            |

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|                                  |                                 |   |       |       |       |
|----------------------------------|---------------------------------|---|-------|-------|-------|
|                                  |                                 | 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 |
|                                  |                                 |   |       | 6,758 | 6,528 |
| <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)    | 9,875 | 9,797 | 9,529 |

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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>Guitar Center, Inc.(11)</b>               | Musical Instruments Retailer                                | 6.5% Secured Debt (Maturity April 15, 2019)  | 11,000              | 10,442         | 9,240             |
| <b>Halcon Resources Corporation(11)</b>      | Oil & Gas Exploration & Production                          | 9.75% Unsecured Debt (Maturity July 15, 2020)  | 6,925               | 6,382          | 2,008             |
| <b>Hojejj 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             |

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|   |   |  |       |       |       |
|---|---|--|-------|-------|-------|
| <b>Industrial Container Services, LLC(10)</b> | Steel Drum<br>Reconditioner                 | LIBOR Plus 5.75% (Floor 1.00%), Current<br>Coupon 6.75%, Secured Debt (Maturity<br>December 31, 2018)(9) | 5,000 | 5,000 | 5,000 |
| <b>Infinity Acquisition Finance Corp.(11)</b> | Application Software<br>for Capital Markets | 7.25% Unsecured Debt (Maturity<br>August 1, 2022)  | 4,000 | 4,000 | 3,440 |

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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>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      |
| <b>Intertain Group Limited(11)(13)</b>                | Business-to-Consumer Online Gaming Operator                      | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity April 8, 2022)(9)   | 9,938        | 9,782   | 9,883      |
| <b>iPayment, Inc.(11)</b>                             | Provider of Merchant Acquisition                                 | LIBOR Plus 5.25% (Floor 1.50%), Current Coupon 6.75%, Secured Debt (Maturity May 8, 2017)(9)   | 15,026       | 14,986  | 14,446     |
| <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)   | 9,887        | 9,718   | 7,942      |
| <b>irth Solutions, LLC</b>                            | Provider of Damage Prevention Information Technology Services    | Member Units (27,893 units)  |              | 1,441   | 1,441      |
| <b>Jackmont Hospitality, Inc.(10)</b>                 | Franchisee of Casual Dining Restaurants                          | LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25% / 2.50% PIK, Current Coupon Plus PIK 7.75%, Secured Debt (Maturity May 26, 2021)(9) | 4,357        | 4,337   | 4,188      |
| <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)   | 14,805       | 14,711  | 14,703     |
| <b>JSS Holdings, Inc.(11)</b>                         | Aircraft Maintenance Program Provider                            |  | 14,566       | 14,230  | 13,765     |

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LIBOR Plus 6.50% (Floor 1.00%),  
Current Coupon 7.50%, Secured Debt  
(Maturity August 31, 2021)(9)

|                              |                       |  |       |       |       |
|------------------------------|-----------------------|--|-------|-------|-------|
| <b>Kendra Scott, LLC(11)</b> | Jewelry Retail Stores | LIBOR Plus 6.00% (Floor 1.00%),<br>Current Coupon 7.00%, Secured Debt<br>(Maturity July 17, 2020)(9) | 5,875 | 5,821 | 5,831 |
|------------------------------|-----------------------|--|-------|-------|-------|

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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>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)                                       | 6,303        | 6,268             | 6,271             |
| <b>LaMi Products, LLC(10)</b>                     | General Merchandise Distribution              | LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity September 16, 2020)(9)                                      | 4,729        | 4,699             | 4,699             |
| <b>Lansing Trade Group LLC(11)</b>                | Commodity Merchandiser                        | 9.25% Unsecured Debt (Maturity February 15, 2019)  | 6,000        | 6,000             | 5,625             |
| <b>Larchmont Resources, LLC(11)</b>               | Oil & Gas Exploration & Production            | LIBOR Plus 8.75% (Floor 1.00%), Current Coupon 9.75%, Secured Debt (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, 2026)  | 1,440        | 1,416             | 1,416             |
| <b>Legendary Pictures Funding, LLC(10)</b>        | Producer of TV, Film, and Comic Content       | LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity April 22, 2020)(9)  | 7,500        | 7,372             | 7,425             |
| <b>LKCM Headwater Investments I, L.P.(12)(13)</b> | Investment Partnership                        | LP Interests (Fully diluted 2.3%)  |              | 2,500             | 4,875             |
| <b>Looking Glass Investments, LLC(12)(13)</b>     | Specialty Consumer Finance                    | 9% Unsecured Debt (Maturity June 30, 2020)<br>Member Units (2.5 units)<br>Member Units (LGI Predictive Analytics LLC) (190,712 units)(8) | 188          | 188<br>125<br>188 | 188<br>125<br>188 |
|   |   |  |              | 501               | 501               |
| <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)                                       | 7,772        | 7,714             | 7,422             |



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|                           |   |  |        |        |        |
|---------------------------|---|--|--------|--------|--------|
| <b>Messenger, LLC(10)</b> | Supplier of Specialty Stationery and Related Products to the Funeral Industry | LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity September 9, 2020)(9) | 15,583 | 15,483 | 15,583 |
|---------------------------|---|--|--------|--------|--------|

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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>Milk Specialties Company(11)</b>              | Processor of Nutrition Products                       | LIBOR Plus 7.00% (Floor 1.25%),<br>Current Coupon 8.25%, Secured Debt<br>(Maturity November 9, 2018)(9)     | 792          | 789           | 792           |
| <b>Minute Key, Inc.</b>                          | Operator of Automated Key Duplication Kiosks          | 10% Current / 2% PIK Secured Debt<br>(Maturity September 19, 2019)<br>Warrants (1,437,409 equivalent units) | 14,186       | 13,817<br>280 | 13,817<br>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           |
| <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)          | 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%),<br>Current Coupon 7.25%, Secured Debt<br>(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%),<br>Current Coupon 5.50%, Secured Debt<br>(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%),<br>Current Coupon 7.75%, Secured Debt<br>(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%),<br>Current Coupon 7.50%, Secured Debt<br>(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 |   | 5,071        | 5,071         | 3,780         |

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11.5% Secured Debt (Maturity  
November 15, 2026)

|   |                                     |  |       |       |       |
|---|-------------------------------------|--|-------|-------|-------|
| <b>Panolam Industries<br/>International, Inc.(11)</b> | Decorative Laminate<br>Manufacturer | LIBOR Plus 6.00% (Floor 1.25%),<br>Current Coupon 7.25%, Secured Debt<br>(Maturity August 23, 2017)(9) | 9,472 | 9,429 | 9,424 |
|---|-------------------------------------|--|-------|-------|-------|

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

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**QBS Parent, Inc.(11)**

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

**Raley's(11)**

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

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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>RCHP, 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)     | 5,448               | 5,426          | 5,448             |
|  |   | LIBOR Plus 10.25% (Floor 1.00%), Current Coupon 11.25%, Secured Debt (Maturity October 23, 2019)(9) | 4,000               | 3,954          | 3,953             |
|  |   |   |                     | 9,380          | 9,401             |
| <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               | 2,975          | 2,835             |
| <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)    | 3,950               | 3,851          | 1,534             |
| <b>RLJ Entertainment, Inc.(10)</b>           | Movie and TV Programming Licensee and Distributor           | LIBOR Plus 8.75% (Floor 0.25%), Current Coupon 9.16%, Secured Debt (Maturity September 11, 2019)(9) | 9,354               | 9,353          | 9,203             |
| <b>RM Bidder, LLC(10)</b>                    | Scripted and Unscripted TV and Digital Programming Provider | Warrants (327,532 equivalent units)   |                     | 425            | 363               |
|  |   | Member Units (2,779 units)  |                     | 46             | 45                |
|  |   |   |                     | 471            | 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%), Current Coupon 9.00%, Secured Debt (Maturity October 8, 2021)(9)    | 3,000               | 2,974          | 2,970             |
| <b>Salient Partners L.P.(11)</b>             | Provider of Asset Management Services                       |   | 7,388               | 7,251          | 7,240             |

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|  |   |   |        |        |        |
|--|---|---|--------|--------|--------|
|  |   | LIBOR Plus 6.50% (Floor 1.00%),<br>Current Coupon 7.50%, Secured Debt<br>(Maturity June 9, 2021)(9)   |        |        |        |
| <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) | 10,119 | 9,886  | 9,360  |
| <b>Stardust Finance Holdings, Inc.(11)</b> | Manufacturer of<br>Diversified Building<br>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 |

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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>Subsea Global Solutions, LLC(10)</b>        | Underwater Maintenance and Repair Services                    | LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured Debt (Maturity March 17, 2020)(9)  | 4,887        | 4,836   | 4,762      |
| <b>Synagro Infrastructure Company, Inc(11)</b> | Waste Management Services                                     | LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity August 22, 2020)(9)   | 4,714        | 4,647   | 4,124      |
| <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        | 7,961   | 7,935      |
|  |   |  | 2,500        | 2,484   | 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 |  | 4,963        | 4,545   | 3,387      |



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|                                      |                                   |   |       |       |       |
|--------------------------------------|-----------------------------------|---|-------|-------|-------|
|                                      |                                   | LIBOR Plus 5.50% (Floor 1.00%), Current<br>Coupon 6.50%, Secured Debt (Maturity<br>October 30, 2020)(9) |       |       |       |
| <b>Travel Leaders Group, LLC(11)</b> | Travel Agency<br>Network Provider | LIBOR Plus 6.00% (Floor 1.00%), Current<br>Coupon 7.00%, Secured Debt (Maturity<br>December 7, 2020)(9) | 8,700 | 8,638 | 8,613 |
|                                      |                                   | F-57  |       |       |       |

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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>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               |
| <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              |
| <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        | 1,516<br>333<br>186 | 1,516<br>512<br>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               |

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|                            |   |   |       |       |       |
|----------------------------|---|---|-------|-------|-------|
| <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 |
|----------------------------|---|---|-------|-------|-------|

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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>Zilliant Incorporated</b>   | Price Optimization and<br>Margin Management<br>Solutions | Preferred Stock (186,777 shares)<br>Warrants (952,500 equivalent shares) |                     | 154<br>1,071        | 260<br>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>   |
| <b>Total Portfolio Investments, December 31, 2015</b>  |  |  |                     | <b>\$ 1,666,642</b> | <b>\$ 1,799,996</b> |

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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        |
| <b>Subtotal Marketable Securities and Idle Funds Investments (0.2% of total investments at fair value)</b> |   |                                  |              | \$ 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)

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Index based floating interest rate is subject to contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2015. As noted in this schedule, 59% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.25% and 1.50%.

- (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"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "Funds"), and each of their general partners. The Funds are each licensed as a Small Business Investment Company ("SBIC") by the United States Small Business Administration ("SBA"). Because MSCC is internally managed, all of the executive officers and other employees are employed by MSCC. Therefore, MSCC does not pay any external investment advisory fees, but instead directly incurs the operating costs associated with employing investment and portfolio management professionals.

MSC Adviser I, LLC (the "External Investment Manager") was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies ("External Parties") and 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 under Investment Advisers Act of 1940, as amended. Since the External Investment Manager conducts all of its investment management activities for External Parties, it is accounted for as a portfolio investment of MSCC and is not included as a consolidated subsidiary of MSCC in MSCC's consolidated financial statements.

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

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

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE A ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

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.

**2. Basis of Presentation**

Main Street's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, 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 Investment Portfolio Composition for additional discussion of Main Street's Investment Portfolio and definitions for the terms 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, 2016, 2015 and 2014 and financial position as of December 31, 2016 and 2015, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("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. 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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments 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

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and adjusts the fair value for other factors that would affect the fair value of the investment. 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.

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 allocating 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. Due to SEC deadlines for Main Street's quarterly and annual financial reporting, 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 such 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 company. Main Street's estimate of the expected

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

repayment date of its debt securities is generally the 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.

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 investment's fair value for factors known to Main Street that would affect that fund's NAV, including, but not limited to, fair values 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 considers 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, recommendations and an assurance certification 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 and received an assurance certification from its independent financial advisory services firm in arriving at Main Street's determination of fair value on its investments in a total of 62 LMM portfolio companies for the year ended December 31, 2016, representing approximately 93% of the total LMM portfolio at fair value as of December 31, 2016, and on a total of 54 LMM portfolio companies for the year ended December 31, 2015, representing approximately 87%

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of the total LMM portfolio at fair value as of December 31, 2015. 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, 2016 and 2015, as applicable, and investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded or they hold real estate for which a third-party appraisal is obtained, the percentage of the LMM portfolio reviewed and certified by the independent financial advisory services firm for the years ended December 31, 2016 and 2015 was 98% of the total LMM portfolio at fair value as of both December 31, 2016 and 2015.

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. Because almost all of the Middle Market portfolio investments are typically valued using third-party quotes or other independent pricing services (including 94% and 99% of the Middle Market portfolio investments as of December 31, 2016 and 2015, respectively), Main Street does not generally consult with any financial advisory services firms in connection with determining the fair value of its 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 and an assurance certification 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 and received an assurance certification from its independent financial advisory services firm in arriving at its determination of fair value on its investments in a total of 26

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Private Loan portfolio companies for the year ended December 31, 2016, representing approximately 68% of the total Private Loan portfolio at fair value as of December 31, 2016, and on 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 initial investment decision as of December 31, 2016 and 2015, as applicable, 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 and certified by its independent financial advisory services firm for the years ended December 31, 2016 and 2015 was 97% and 95% of the total Private Loan portfolio at fair value as of December 31, 2016 and 2015, respectively.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised 5.0% and 4.2%, respectively, of Main Street's Investment Portfolio at fair value as of December 31, 2016 and 2015. 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 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 its ability to control the capital structure of the company, as well as the timing of a potential exit, in connection with determining the fair value of the External Investment Manager.

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

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2016 and 2015 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 consolidated 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 materially from the values that would have been determined had a ready market for the securities existed.

**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, 2016, cash balances totaling \$21.3 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.

**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**

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

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2016, 2015 and 2014, (i) approximately 3.6%, 2.2% and 3.3%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.2%, 1.0% and 1.3%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of December 31, 2016, Main Street's total Investment Portfolio had four investments on non-accrual status, which comprised approximately 0.6% of its fair value and 3.0% of its cost. 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.

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 income over the life of the financing.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

|  | <b>Twelve Months Ended December 31,</b> |                   |                   |
|--|---|-------------------|-------------------|
|  | <b>2016</b>                             | <b>2015</b>       | <b>2014</b>       |
|  | <b>(dollars in thousands)</b>           |                   |                   |
| <b>Interest, fee and dividend income:</b>      |   |                   |                   |
| Interest income                                | \$ 138,689                              | \$ 131,333        | \$ 110,362        |
| Dividend income                                | 32,182                                  | 24,266            | 22,235            |
| Fee income                                     | 7,294                                   | 8,004             | 7,342             |
| <b>Total interest, fee and dividend income</b> | <b>\$ 178,165</b>                       | <b>\$ 163,603</b> | <b>\$ 139,939</b> |

**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 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



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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 interest income. For the years ended December 31, 2016, 2015 and 2014, approximately 3.1%, 2.6% and 3.1%, 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.

Effective January 1, 2016, Main Street elected early adoption of Accounting Standards Update ("ASU") 2016-09, *Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09," as discussed further below in Note B.13.). ASU 2016-09 requires that all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement and no longer delay recognition of a tax benefit until the tax benefit is realized through a reduction to taxes payable. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. Additionally, ASU 2016-09 allows an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, net of forfeitures, (current GAAP) or account for forfeitures when they occur. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. As such, Main Street has recorded a \$1.8 million adjustment to "Net Unrealized Appreciation, Net of Income Taxes" on the consolidated balance sheet to capture the cumulative tax effect as of January 1, 2016. The company has elected to account for forfeitures as they occur and this change had no impact on its consolidated financial statements. The additional amendments (cash flows classification, minimum statutory tax withholding requirements and classification of awards as either a liability or equity) did not have an effect on Main Street's consolidated financial statements.

**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 taxable income or capital gains that

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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) the filing of the U.S. federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

The Taxable Subsidiaries primarily hold certain portfolio investments for 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.

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

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

**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.

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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, therefore, 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 ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under ASC 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

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarified the implementation guidance regarding performance obligations and licensing arrangements. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients*, which clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. 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 expects to identify similar performance obligations under ASC 606 as compared with deliverables and separate units of account previously identified. As a result, Main Street expects timing of its revenue recognition to remain the same.

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 Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on Main Street's consolidated financial statements as none of its investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016 02, *Leases*, which requires lessees to recognize on the balance sheet a right of use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. While Main Street continues to assess the effect of adoption, Main Street currently believes the most significant change relates to the recognition of a new right-of-use asset and lease liability on its consolidated balance sheet for its office space operating lease. Main Street currently has one operating lease for office space and does not expect a significant change in the leasing activity between now and adoption. See further discussion of the operating lease obligation in Note N.

In March 2016, the FASB issued ASU 2016-09, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in Note B.8.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is not expected to be material.

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 consolidated 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 highest priority to quoted prices in active markets for identical investments (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

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

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

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**MAIN STREET CAPITAL CORPORATION**

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

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

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

Level 3 Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (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, 2016 and 2015, all of Main Street's LMM portfolio investments except for the equity investment in one portfolio company consisted of illiquid securities issued by private companies. The investment which was the exception was in a company with publicly traded equity. 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, 2016 and 2015, except for the one publicly traded equity security which was categorized as Level 2.

As of December 31, 2016 and 2015, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated 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 Middle Market portfolio investments were categorized as Level 3 as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, 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, 2016 and 2015.

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**MAIN STREET CAPITAL CORPORATION**

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

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

As of December 31, 2016 and 2015, 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, 2016 and 2015.

As of December 31, 2015, 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. Main Street had no Marketable securities and idle funds investments as of December 31, 2016.

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;

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

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

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

Qualitative assessment of key management;

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

Other factors deemed relevant.

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Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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, 2016 and 2015:

| Type of Investment        | Fair Value<br>as of<br>December 31,<br>2016<br>(in<br>thousands) | Valuation<br>Technique               | Significant<br>Unobservable Inputs     | Range(3)        | Weighted<br>Average(3) | Median(3) |
|---------------------------|--|--------------------------------------|--|-----------------|------------------------|-----------|
| Equity investments        | \$ 567,003   | Discounted cash flow                 | Weighted-average cost of capital       | 10.4% - 23.1%   | 13.0%                  | 13.7%     |
|                           |  | Market comparable / Enterprise Value | EBITDA multiple(1)                     | 4.5x - 8.5x(2)  | 7.1x                   | 6.0x      |
| Debt investments          | \$ 808,895   | Discounted cash flow                 | Risk adjusted discount factor          | 7.4% - 15.9%(2) | 11.8%                  | 11.6%     |
|                           |  |                                      | Expected principal recovery percentage | 3.0% - 100.0%   | 99.7%                  | 100.0%    |
| Debt investments          | \$ 618,928   | Market approach                      | Third-party quote                      | 22.5 - 108.0    |                        |           |
| Total Level 3 investments | \$ 1,994,826   |                                      |  |                 |                        |           |

(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 3.3x - 17.5x and the range for risk adjusted discount factor is 4.8% - 38.0%.

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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

| Type of Investment        | Fair Value<br>as of<br>December 31,<br>2015<br>(in<br>thousands) | Valuation<br>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.

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, 2016 and 2015 (amounts in thousands):

| Type of Investment | Fair Value as of December 31, 2015 | 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, 2016 |
|--------------------|------------------------------------|----------------------------------|-------------------------|-----------------|---|--|------------|------------------------------------|
| Debt               | \$ 1,265,544                       | \$                               | \$ (431,871)            | \$ 555,490      | \$ 44,515                               | \$ 1,295                                   | \$ (7,150) | \$ 1,427,823                       |
| Equity             | 519,966                            |                                  | (15,799)                | 86,037          | (60,544)                                | 12,643                                     | 7,150      | 549,453                            |
| Equity Warrant     | 10,646                             |                                  | (1,011)                 | 5,928           | 1,011                                   | 976  |            | 17,550                             |
|                    | \$ 1,796,156                       | \$                               | \$ (448,681)            | \$ 647,455      | \$ (15,018)                             | \$ 14,914                                  | \$         | \$ 1,994,826                       |

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

| 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.

As of December 31, 2016 and 2015, 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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

the expected repayment date of principal for each 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 estimated market interest rates 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, 2016 and 2015 (amounts in thousands):

| Type of Instrument | Fair Value as of December 31, 2016 | Valuation Technique  | Significant Unobservable Inputs | Range       | Weighted Average |
|--------------------|------------------------------------|----------------------|---------------------------------|-------------|------------------|
| SBIC debentures    | \$ 74,803                          | Discounted cash flow | Estimated market interest rates | 3.4% - 5.3% | 4.2%             |

| Type of Instrument | Fair Value as of December 31, 2015 | Valuation Technique  | Significant Unobservable Inputs | Range       | Weighted Average |
|--------------------|------------------------------------|----------------------|---------------------------------|-------------|------------------|
| SBIC debentures    | \$ 73,860                          | Discounted cash flow | Estimated market interest rates | 4.1% - 5.8% | 4.9%             |

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the years ended December 31, 2016 and 2015 (amounts in thousands):

| Type of Instrument            | Fair Value as of December 31, 2015 | Repayments | New SBIC Debentures | Net Unrealized (Appreciation) Depreciation | Fair Value as of December 31, 2016 |
|-------------------------------|------------------------------------|------------|---------------------|--|------------------------------------|
| SBIC debentures at fair value | \$ 73,860                          | \$         | \$                  | \$ 943                                     | \$ 74,803                          |

| Type of Instrument            | Fair Value as of December 31, 2014 | Repayments | New SBIC Debentures | Net Unrealized (Appreciation) Depreciation | Fair Value as of December 31, 2015 |
|-------------------------------|------------------------------------|------------|---------------------|--|------------------------------------|
| SBIC debentures at fair value | \$ 72,981                          | \$         | \$                  | \$ 879                                     | \$ 73,860                          |

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

At December 31, 2016 and 2015, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

| At December 31, 2016                             | Fair Value   | Fair Value Measurements<br>(in thousands)  |   |  |
|--|--------------|--|---|--|
|  |              | Quoted Prices<br>in<br>Active Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| LMM portfolio investments                        | \$ 892,592   | \$   | \$ 2,080  | \$ 890,512   |
| Middle Market portfolio investments              | 630,578      |  |   | 630,578  |
| Private Loan portfolio investments               | 342,867      |  |   | 342,867  |
| Other Portfolio investments                      | 100,252      |  |   | 100,252  |
| External Investment Manager                      | 30,617       |  |   | 30,617   |
| Total portfolio investments                      | 1,996,906    |  | 2,080   | 1,994,826  |
| Marketable securities and idle funds investments |              |  |   |  |
| Total investments                                | \$ 1,996,906 | \$   | \$ 2,080  | \$ 1,994,826                                       |
| SBIC debentures at fair value                    | \$ 74,803    | \$   | \$  | \$ 74,803  |

| At December 31, 2015                             | Fair Value | Fair Value Measurements<br>(in thousands)                                  |   |  |
|--|------------|--|---|--|
|  |            | Quoted Prices in<br>Active Markets<br>for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| 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 investments | 3,693      | 3,693  |   |  |

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|                   |    |           |    |       |    |       |    |           |
|-------------------|----|-----------|----|-------|----|-------|----|-----------|
| Total investments | \$ | 1,803,689 | \$ | 3,693 | \$ | 3,840 | \$ | 1,796,156 |
|-------------------|----|-----------|----|-------|----|-------|----|-----------|

|                               |    |        |    |  |    |  |    |        |
|-------------------------------|----|--------|----|--|----|--|----|--------|
| SBIC debentures at fair value | \$ | 73,860 | \$ |  | \$ |  | \$ | 73,860 |
|-------------------------------|----|--------|----|--|----|--|----|--------|

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**MAIN STREET CAPITAL CORPORATION**

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

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

**Investment Portfolio Composition**

Main Street's 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 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 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 in privately held companies which have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as "club deals." Private Loan investments are typically similar in size, structure, terms and conditions to investments 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. For Other Portfolio investments, Main Street generally receives distributions related to the assets held by the portfolio company. Those assets are typically expected to be liquidated over a five to ten year period.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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 entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, Main Street shares employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, Main Street began allocating cost to the External Investment Manager pursuant to the sharing agreement. Main Street's total expenses for the years ended December 31, 2016, 2015 and 2014 are net of expenses allocated to the External Investment Manager of \$5.1 million, \$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, 2016, 2015 and 2014, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

The following tables provide a summary of Main Street's investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2016 and 2015 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

|  | As of December 31, 2016 |               |              |
|--|-------------------------|---------------|--------------|
|  | LMM(a)                  | Middle Market | Private Loan |
|  | (dollars in millions)   |               |              |
| Number of portfolio companies                                | 73                      | 78            | 46           |
| Fair value   | \$ 892.6                | \$ 630.6      | \$ 342.9     |
| Cost   | \$ 760.3                | \$ 646.8      | \$ 357.7     |
| % of portfolio at cost debt                                  | 69.1%                   | 97.2%         | 93.5%        |
| % of portfolio at cost equity                                | 30.9%                   | 2.8%          | 6.5%         |
| % of debt investments at cost secured by first priority lien | 92.1%                   | 89.1%         | 89.0%        |
| Weighted-average annual effective yield(b)                   | 12.5%                   | 8.5%          | 9.6%         |
| Average EBITDA(c)  | \$ 5.9                  | \$ 98.6       | \$ 22.7      |

(a) At December 31, 2016, Main Street had equity ownership in approximately 99% 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, 2016, 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



Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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, one Middle Market portfolio company and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies.

|  | 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, 2016, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$100.3 million in fair value and approximately \$107.1 million in cost basis and which comprised approximately 5.0% of Main Street's Investment Portfolio at fair value. 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.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

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, 2016, there was no cost basis in this investment and the investment had a fair value of approximately \$30.6 million, which comprised approximately 1.5% of Main Street's Investment Portfolio at fair value. 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.

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, 2016 and 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>     | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------|------------------------------|------------------------------|
| First lien debt  | 76.1%                        | 75.8%                        |
| Equity           | 14.5%                        | 13.5%                        |
| Second lien debt | 7.7%                         | 8.7%                         |
| Equity warrants  | 1.1%                         | 0.9%                         |
| Other            | 0.6%                         | 1.1%                         |
|                  | 100.0%                       | 100.0%                       |

| <b>Fair Value:</b> | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--------------------|------------------------------|------------------------------|
| First lien debt    | 68.7%                        | 66.1%                        |
| Equity             | 22.6%                        | 24.9%                        |
| Second lien debt   | 7.2%                         | 7.7%                         |
| Equity warrants    | 0.9%                         | 0.6%                         |
| Other              | 0.6%                         | 0.7%                         |
|                    | 100.0%                       | 100.0%                       |

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, 2016 and 2015 (this information excludes the Other Portfolio

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

investments and the External Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

| Cost:                   | December 31,<br>2016 | December 31,<br>2015 |
|-------------------------|----------------------|----------------------|
| Southwest               | 29.7%                | 33.4%                |
| Midwest                 | 23.0%                | 16.7%                |
| West                    | 16.1%                | 14.6%                |
| Northeast               | 14.8%                | 18.3%                |
| Southeast               | 13.1%                | 13.5%                |
| Canada                  | 1.7%                 | 2.2%                 |
| Other Non-United States | 1.6%                 | 1.3%                 |
|                         | 100.0%               | 100.0%               |

| Fair Value:             | December 31,<br>2016 | December 31,<br>2015 |
|-------------------------|----------------------|----------------------|
| Southwest               | 31.0%                | 36.7%                |
| Midwest                 | 21.2%                | 15.1%                |
| West                    | 18.3%                | 16.1%                |
| Northeast               | 13.9%                | 16.3%                |
| Southeast               | 12.7%                | 12.6%                |
| Other Non-United States | 1.5%                 | 1.2%                 |
| Canada                  | 1.4%                 | 2.0%                 |
|                         | 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

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

as of December 31, 2016 and 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

| <b>Cost:</b>                                   | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|--|------------------------------|------------------------------|
| Energy Equipment & Services                    | 7.5%                         | 7.3%                         |
| Hotels, Restaurants & Leisure                  | 6.5%                         | 7.9%                         |
| Media  | 5.7%                         | 5.6%                         |
| Machinery                                      | 5.6%                         | 5.7%                         |
| Construction & Engineering                     | 5.3%                         | 4.6%                         |
| Commercial Services & Supplies                 | 5.0%                         | 3.3%                         |
| Electronic Equipment, Instruments & Components | 4.5%                         | 4.3%                         |
| Specialty Retail                               | 4.4%                         | 5.1%                         |
| IT Services                                    | 3.9%                         | 5.1%                         |
| Internet Software & Services                   | 3.6%                         | 3.1%                         |
| Diversified Telecommunication Services         | 3.3%                         | 2.9%                         |
| Auto Components                                | 3.0%                         | 2.7%                         |
| Health Care Providers & Services               | 3.0%                         | 4.1%                         |
| Diversified Consumer Services                  | 2.8%                         | 3.7%                         |
| Food Products                                  | 2.6%                         | 2.4%                         |
| Software                                       | 2.6%                         | 4.5%                         |
| Health Care Equipment & Supplies               | 2.3%                         | 3.1%                         |
| Diversified Financial Services                 | 2.3%                         | 2.3%                         |
| Communications Equipment                       | 2.3%                         | 0.0%                         |
| Computers & Peripherals                        | 2.2%                         | 0.0%                         |
| Building Products                              | 2.1%                         | 1.9%                         |
| Road & Rail                                    | 1.5%                         | 1.6%                         |
| Consumer Finance                               | 1.5%                         | 0.8%                         |
| Professional Services                          | 1.4%                         | 1.9%                         |
| Oil, Gas & Consumable Fuels                    | 1.2%                         | 2.1%                         |
| Distributors                                   | 1.1%                         | 0.7%                         |
| Air Freight & Logistics                        | 1.0%                         | 1.1%                         |
| Leisure Equipment & Products                   | 0.9%                         | 1.1%                         |
| Aerospace & Defense                            | 0.9%                         | 1.0%                         |
| Pharmaceuticals                                | 0.8%                         | 1.9%                         |
| Other(1)                                       | 9.2%                         | 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.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

| Fair Value:                                    | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| Machinery                                      | 6.7%                 | 7.0%                 |
| Hotels, Restaurants & Leisure                  | 6.5%                 | 7.8%                 |
| Energy Equipment & Services                    | 5.8%                 | 6.0%                 |
| Construction & Engineering                     | 5.6%                 | 5.1%                 |
| Diversified Consumer Services                  | 5.5%                 | 5.7%                 |
| Media  | 5.2%                 | 5.1%                 |
| Commercial Services & Supplies                 | 5.0%                 | 3.1%                 |
| Specialty Retail                               | 4.6%                 | 6.0%                 |
| Electronic Equipment, Instruments & Components | 3.9%                 | 3.7%                 |
| IT Services                                    | 3.7%                 | 4.6%                 |
| Internet Software & Services                   | 3.5%                 | 2.9%                 |
| Auto Components                                | 2.9%                 | 2.8%                 |
| Health Care Providers & Services               | 2.9%                 | 3.3%                 |
| Software                                       | 2.6%                 | 5.9%                 |
| Diversified Telecommunication Services         | 2.5%                 | 2.7%                 |
| Road & Rail                                    | 2.5%                 | 2.6%                 |
| Health Care Equipment & Supplies               | 2.4%                 | 2.9%                 |
| Food Products                                  | 2.4%                 | 2.1%                 |
| Diversified Financial Services                 | 2.3%                 | 2.2%                 |
| Communications Equipment                       | 2.3%                 | 0.0%                 |
| Computers & Peripherals                        | 2.3%                 | 0.0%                 |
| Building Products                              | 1.9%                 | 1.6%                 |
| Professional Services                          | 1.3%                 | 1.7%                 |
| Consumer Finance                               | 1.3%                 | 0.6%                 |
| Oil, Gas & Consumable Fuels                    | 1.1%                 | 1.2%                 |
| Air Freight & Logistics                        | 1.1%                 | 1.3%                 |
| Distributors                                   | 1.1%                 | 0.6%                 |
| Construction Materials                         | 1.0%                 | 0.4%                 |
| Leisure Equipment & Products                   | 0.9%                 | 1.1%                 |
| Pharmaceuticals                                | 0.7%                 | 1.7%                 |
| Other(1)                                       | 8.5%                 | 8.3%                 |
|  | 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, 2016 and 2015, 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)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)****Unconsolidated Significant Subsidiaries**

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, if any, are considered "significant subsidiaries." In evaluating these unconsolidated controlled portfolio companies, there are three tests utilized to determine if any of Main Street's Control Investments (as defined in Note A, including those unconsolidated controlled portfolio companies in which Main Street does not own greater than 50% of the voting securities) are considered significant subsidiaries: 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 (Control Investments 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 a Control Investment in an annual report if any of the three tests exceeds 10% of Main Street's annual total amounts and Rule 10-01(b)(1) of Regulation S-X requires summarized financial information in a quarterly report if any of the three tests exceeds 20% of Main Street's year-to-date total amounts.

As of December 31, 2016 and 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, 2016, Main Street determined that its income from one of its Control Investments individually generated more than 10% of its total income, primarily due to the unrealized appreciation that was recognized on the investment. As such, CBT Nuggets, LLC, an unconsolidated portfolio company that was a Control Investment, but for which Main Street was not the majority owner and did not have rights to maintain greater than 50% of the board representation, was also considered a significant subsidiary at the 10% level as of December 31, 2016. Additionally, after performing the income test for the year ended December 31, 2015, excluding investments which were fully exited after December 31, 2015, CBT Nuggets, LLC and the wholly owned External Investment Manager were each considered significant subsidiaries at the 10% income level (see further discussion and summarized financial information of the External Investment Manager in Note D).

The following table shows the summarized financial information for CBT Nuggets, LLC:

|                           | As of December 31, |          |
|---------------------------|--------------------|----------|
|                           | 2016               | 2015     |
|                           | (dollars           |          |
|                           | in thousands)      |          |
| <b>Balance Sheet Data</b> |                    |          |
| Current Assets            | \$ 7,288           | \$ 4,499 |
| Noncurrent Assets         | 13,609             | 16,749   |
| Current Liabilities       | 17,871             | 15,490   |
| Noncurrent Liabilities    |                    |          |

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Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES PORTFOLIO COMPOSITION (Continued)**

|                              | Twelve Months Ended<br>December 31, |           |           |
|------------------------------|-------------------------------------|-----------|-----------|
|                              | 2016                                | 2015      | 2014      |
|                              | (dollars in thousands)              |           |           |
| <b>Summary of Operations</b> |                                     |           |           |
| Total Revenue                | \$ 38,779                           | \$ 33,924 | \$ 25,645 |
| Gross Profit                 | 33,661                              | 29,352    | 21,196    |
| Income from Operations       | 13,117                              | 12,099    | 8,687     |
| Net Income                   | 12,819                              | 12,343    | 10,100    |

**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-listed BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow 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. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the years ended December 31, 2016, 2015 and 2014, the External Investment Manager earned \$9.5 million, \$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

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE D EXTERNAL INVESTMENT MANAGER (Continued)**

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 shares employees with the External Investment Manager and allocates costs related to such shared employees 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, 2016, 2015 and 2014, Main Street allocated \$5.1 million, \$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 allocated to the External Investment Manager and dividend income from the External Investment Manager. For the years ended December 31, 2016, 2015 and 2014, the total contribution to Main Street's net investment income was \$7.9 million, \$6.5 million and \$2.5 million, respectively.

Summarized financial information from the separate financial statements of the External Investment Manager as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 is as follows:

|   | As of<br>December 31,     |                 |
|---|---------------------------|-----------------|
|   | 2016                      | 2015            |
|   | (dollars<br>in thousands) |                 |
| Cash  | \$                        | \$ 31           |
| Accounts receivable HMS Income                | 2,496                     | 2,262           |
| <b>Total assets</b>                           | <b>\$ 2,496</b>           | <b>\$ 2,293</b> |
| <br>  |                           |                 |
| Accounts payable to MSCC and its subsidiaries | \$ 1,635                  | \$ 1,333        |
| Dividend payable to MSCC                      | 719                       | 677             |
| Taxes payable                                 | 142                       | 283             |
| <b>Equity</b>                                 |                           |                 |
| <br>  |                           |                 |
| <b>Total liabilities and equity</b>           | <b>\$ 2,496</b>           | <b>\$ 2,293</b> |



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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE D EXTERNAL INVESTMENT MANAGER (Continued)

|  | Twelve Months Ended<br>December 31, |          |          |
|--|-------------------------------------|----------|----------|
|  | 2016                                | 2015     | 2014     |
|  | (dollars in thousands)              |          |          |
| Management fee income  | \$ 9,540                            | \$ 7,767 | \$ 2,795 |
| Expenses allocated from MSCC or its subsidiaries:            |                                     |          |          |
| Salaries, share-based compensation and other personnel costs | (3,470)                             | (3,005)  | (1,479)  |
| Other G&A expenses   | (1,619)                             | (1,330)  | (569)    |
| Total allocated expenses                                     | (5,089)                             | (4,335)  | (2,048)  |
| Other direct G&A expenses                                    |                                     |          | (2)      |
| Total expenses   | (5,089)                             | (4,335)  | (2,050)  |
| Pre-tax income   | 4,451                               | 3,432    | 745      |
| Tax expense  | (1,623)                             | (1,235)  | (298)    |
| Net income   | \$ 2,828                            | \$ 2,197 | \$ 447   |

## NOTE E DEFERRED FINANCING COSTS

Deferred financing costs balances as of December 31, 2016 and 2015 are as follows (amounts in thousands):

|                                      | As of December 31, |           |
|--------------------------------------|--------------------|-----------|
|                                      | 2016               | 2015      |
| Credit Facility Fees                 | \$ 9,316           | \$ 8,467  |
| SBIC debenture leverage fees         | 5,364              | 5,000     |
| 4.50% Notes                          | 3,668              | 3,668     |
| 6.125% Notes                         | 3,046              | 3,049     |
| SBIC debenture commitment fees       | 2,798              | 2,048     |
| Subtotal                             | 24,192             | 22,232    |
| Accumulated amortization             | (11,547)           | (8,965)   |
| Net deferred financing costs balance | \$ 12,645          | \$ 13,267 |

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2016 and thereafter is as follows (amounts in thousands):

| Years Ended December 31, | Estimated<br>Amortization |
|--------------------------|---------------------------|
| 2017                     | \$ 2,906                  |

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|                     |    |       |
|---------------------|----|-------|
| 2018                | \$ | 2,904 |
| 2019                | \$ | 2,840 |
| 2020                | \$ | 1,810 |
| 2021                | \$ | 720   |
| 2022 and thereafter | \$ | 1,465 |

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE F SBIC DEBENTURES**

SBIC debentures payable were \$240.0 million and \$225.0 million at December 31, 2016 and 2015, respectively. SBIC debentures provide for interest to be paid semiannually, with principal due at the applicable 10-year maturity date of each debenture. In August 2016, Main Street received a license from the SBA to operate a third SBIC, which at the time provided Main Street with access up to an additional \$125.0 million of long-term, fixed interest rate debt capital through the issuance of SBA-guaranteed debentures. During the year ended December 31, 2016, Main Street issued \$15.0 million of SBIC debentures, leaving \$110.0 million of additional capacity under Main Street's SBIC licenses. The weighted-average annual interest rate on the SBIC debentures was 4.1% and 4.2% as of December 31, 2016 and 2015, respectively. The first principal maturity due under the existing SBIC debentures is in 2017, and the weighted-average remaining duration as of December 31, 2016 was approximately 4.9 years. For the years ended December 31, 2016, 2015 and 2014, Main Street recognized interest expense attributable to the SBIC debentures of \$10.0 million, \$9.9 million and \$9.5 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, 2016, the recorded value of the SBIC debentures was \$239.6 million which consisted of (i) \$74.8 million recorded at fair value, or \$0.4 million less than the \$75.2 million par value of the SBIC debentures issued in MSC II, (ii) \$149.8 million recorded at par value and held in MSMF and (iii) \$15.0 million recorded at par value and held in MSC III. As of December 31, 2016, 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 \$228.6 million, or \$11.4 million less than the \$240.0 million face value of the SBIC debentures.

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

The maturity dates and fixed interest rates for Main Street's SBIC Debentures as of December 31, 2016 and 2015 are summarized in the following table:

| <b>Maturity Date</b>  | <b>Fixed Interest Rate</b> | <b>December 31, 2016</b> | <b>December 31, 2015</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               |
| 3/1/2027(1)           | 2.21%                      | 6,000,000                |                          |
| 3/1/2027(1)           | 2.03%                      | 9,000,000                |                          |
| <b>Ending Balance</b> |                            | <b>240,000,000</b>       | <b>225,000,000</b>       |

(1)

The interest rate for this tranche of SBIC debentures represents an initial rate that has not been fixed by the SBA as of December 31, 2016. In March 2017, the rate for this tranche of SBIC debentures will be determined and, thereafter, the rate will be fixed for the ensuing 10 years.

**NOTE G CREDIT FACILITY**

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility includes total commitments of \$555.0 million from a diversified group of fourteen lenders and was amended in 2016 to extend the maturity to September 2021. The Credit Facility also contains an accordion feature which allows Main Street to increase the total commitments under the facility to up to \$750.0 million 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 (0.77% as of December 31, 2016) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.75% as of December 31, 2016) 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



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

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 2021, 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.

At December 31, 2016, Main Street had \$343.0 million in borrowings outstanding under the Credit Facility. As of December 31, 2016, 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 \$9.2 million, \$7.7 million and \$6.9 million, respectively, for the years ended December 31, 2016, 2015 and 2014. As of December 31, 2016, the interest rate on the Credit Facility was 2.5%. The average interest rate for the year ended December 31, 2016 was 2.4%. 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, 2016, the outstanding balance of the 6.125% Notes was \$90.7 million. As of December 31, 2016, 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 \$93.3 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$5.9 million for each of the years ended December 31, 2016, 2015 and 2014.

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE H NOTES (Continued)**

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. As of December 31, 2016, Main Street was in compliance with these covenants.

**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 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 semiannually 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, 2016, the outstanding balance of the 4.50% Notes was \$175.0 million. As of December 31, 2016, 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 \$177.3 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$8.6 million, \$8.6 million and \$1.3 million for the years ended December 31, 2016, 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. As of December 31, 2016, Main Street was in compliance with these covenants.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE I FINANCIAL HIGHLIGHTS

| Per Share Data:   | 2016       | 2015       | 2014       | 2013       | 2012       |
|---|------------|------------|------------|------------|------------|
| NAV at the beginning of the period  | \$ 21.24   | \$ 20.85   | \$ 19.89   | \$ 18.59   | \$ 15.19   |
| Net investment income(1)(3)   | 2.23       | 2.18       | 2.20       | 2.06       | 2.01       |
| Net realized gain (loss)(1)(2)(3)   | 0.56       | (0.43)     | 0.53       | 0.07       | 0.55       |
| Net change in net unrealized appreciation<br>(depreciation)(1)(2)(3)  | (0.14)     | 0.20       | (0.27)     | 0.52       | 1.34       |
| Income tax benefit (provision)(1)(2)(3)   | 0.02       | 0.18       | (0.15)     |            | (0.37)     |
| Net increase in net assets resulting from operations(1)(3)  | 2.67       | 2.13       | 2.31       | 2.65       | 3.53       |
| Dividends paid from net investment income   | (1.99)     | (2.49)     | (2.17)     | (2.29)     | (1.17)     |
| Distributions from capital gains  | (0.74)     | (0.16)     | (0.38)     | (0.37)     | (0.54)     |
| Total dividends paid  | (2.73)     | (2.65)     | (2.55)     | (2.66)     | (1.71)     |
| Impact of the net change in monthly dividends declared<br>prior to the end of the period and paid in the subsequent<br>period | (0.01)     | (0.01)     | (0.01)     | (0.02)     | (0.02)     |
| Accretive effect of stock offerings (issuing shares above<br>NAV per share)   | 0.76       | 0.74       | 1.07       | 1.13       | 1.33       |
| Accretive effect of DRIP issuance (issuing shares above<br>NAV per share)   | 0.08       | 0.12       | 0.12       | 0.13       | 0.07       |
| Other(4)  | 0.09       | 0.06       | 0.02       | 0.07       | 0.20       |
| NAV at the end of the period  | \$ 22.10   | \$ 21.24   | \$ 20.85   | \$ 19.89   | \$ 18.59   |
| Market value at the end of the period   | \$ 36.77   | \$ 29.08   | \$ 29.24   | \$ 32.69   | \$ 30.51   |
| Shares outstanding at the end of the period   | 54,354,857 | 50,413,744 | 45,079,150 | 39,852,604 | 34,589,484 |

(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.



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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE I FINANCIAL HIGHLIGHTS (Continued)

- (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.

|   | Twelve Months Ended December 31, |              |            |            |            |
|---|----------------------------------|--------------|------------|------------|------------|
|   | 2016                             | 2015         | 2014       | 2013       | 2012       |
|   | (dollars in thousands)           |              |            |            |            |
| NAV at end of period  | \$ 1,201,481                     | \$ 1,070,894 | \$ 939,982 | \$ 792,533 | \$ 642,976 |
| Average NAV   | \$ 1,118,567                     | \$ 1,055,313 | \$ 885,568 | \$ 706,056 | \$ 512,156 |
| Average outstanding debt  | \$ 801,048                       | \$ 759,396   | \$ 575,524 | \$ 444,331 | \$ 322,154 |
| Ratio of total expenses, including income tax expense, to average NAV(1)(2)   | 5.48%                            | 4.63%        | 5.82%      | 5.82%      | 8.18%      |
| Ratio of operating expenses to average NAV(1)(3)                              | 5.59%                            | 5.45%        | 5.11%      | 5.82%      | 6.07%      |
| Ratio of operating expenses, excluding interest expense, to average NAV(1)(3) | 2.58%                            | 2.41%        | 2.44%      | 2.95%      | 3.03%      |
| Ratio of net investment income to average NAV(1)                              | 10.35%                           | 10.15%       | 10.79%     | 10.68%     | 11.57%     |
| Portfolio turnover ratio  | 24.63%                           | 25.37%       | 35.71%     | 36.10%     | 56.22%     |
| Total investment return(4)  | 37.36%                           | 8.49%        | (3.09)%    | 16.68%     | 53.60%     |
| Total return based on change in NAV(5)  | 12.97%                           | 11.11%       | 12.71%     | 15.06%     | 25.73%     |

- (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 the 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) Unless otherwise noted, operating expenses include interest, compensation, general and administrative and share-based compensation expenses, net of expenses allocated 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.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

During 2016, Main Street paid supplemental dividends of \$0.275 per share in each of June and December 2016, regular monthly dividends of \$0.180 per share for each month of January through September 2016, regular monthly dividends of \$0.185 per share for each month of October through December 2016, with such dividends totaling \$141.6 million, or \$2.725 per share. The 2016 regular monthly dividends, which total \$112.5 million, or \$2.175 per share, represent a 3.6% increase from the regular monthly dividends paid per share for the year ended 2015. For tax purposes, the 2016 dividends, which included the effects of accrued dividends, total \$2.73 per share and were comprised of (i) ordinary income totaling approximately \$1.911 per share, (ii) long term capital gain totaling approximately \$0.761 per share, and (iii) qualified dividend income totaling approximately \$0.058 per share. As of December 31, 2016, Main Street estimates that it has generated undistributed taxable income of approximately \$52.4 million, or \$0.96 per share, that will be carried forward toward distributions to be paid in 2017. For the years ended December 31, 2015 and 2014, Main Street paid total monthly dividends of approximately \$130.0 million, or \$2.650 per share, and \$110.9 million, or \$2.545 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, 2016, 2015 and 2014 was as follows:

|  | <b>Twelve Months Ended December 31,</b> |             |             |
|--|---|-------------|-------------|
|  | <b>2016</b>                             | <b>2015</b> | <b>2014</b> |
|  | <b>(dollars in thousands)</b>           |             |             |
| Ordinary income(1)                       | \$ 100,059                              | \$ 114,975  | \$ 91,369   |
| Qualified dividends                      | 2,992                                   | 5,179       | 2,106       |
| Distributions of long term capital gains | 39,522                                  | 11,285      | 18,502      |
| Distributions on tax basis               | \$ 142,573                              | \$ 131,439  | \$ 111,977  |

- (1) The years ended December 31, 2016, 2015 and 2014 include \$1.6 million, \$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 taxable income or capital gains that MSCC distributes to its stockholders. MSCC must generally distribute at least 90% of its "investment company taxable income" (which is generally its net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses) and 90% of its tax-exempt income to maintain its RIC status (pass-through tax treatment for amounts distributed). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S. federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

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, 2016, 2015 and 2014.

|   | <b>Twelve Months Ended December 31,</b>  |                   |                   |
|---|--|-------------------|-------------------|
|   | <b>2016</b>                              | <b>2015</b>       | <b>2014</b>       |
|   | <b>(estimated, dollars in thousands)</b> |                   |                   |
| Net increase in net assets resulting from operations  | \$ 138,899                               | \$ 104,437        | \$ 100,748        |
| Book tax difference from share-based compensation expense   | 1,619                                    | 1,006             | 4,215             |
| Net change in net unrealized (appreciation) depreciation  | 7,519                                    | (9,992)           | 11,707            |
| Income tax provision (benefit)  | (1,227)                                  | (8,687)           | 6,287             |
| Pre-tax book (income) loss not consolidated for tax purposes  | 15,742                                   | 32,323            | (7,721)           |
| Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains (losses) and changes in estimates | (7,300)                                  | 3,397             | (1,667)           |
| Estimated taxable income(1)   | 155,252                                  | 122,484           | 113,569           |
| Taxable income earned in prior year and carried forward for distribution in current year  | 29,683                                   | 38,638            | 37,046            |
| Taxable income earned prior to period end and carried forward for distribution next period  | (52,410)                                 | (38,757)          | (46,301)          |
| Dividend payable as of period end and paid in the following period  | 10,048                                   | 9,074             | 7,663             |
| <b>Total distributions accrued or paid to common stockholders</b>   | <b>\$ 142,573</b>                        | <b>\$ 131,439</b> | <b>\$ 111,977</b> |

(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 primarily 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.

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)**

The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries, if any, are reflected in Main Street's consolidated statement of operations. Main Street's provision for income taxes was comprised of the following for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

|                                      | Twelve Months Ended<br>December 31, |            |          |
|--------------------------------------|-------------------------------------|------------|----------|
|                                      | 2016                                | 2015       | 2014     |
| Current tax expense:                 |                                     |            |          |
| Federal                              | \$ 1                                | \$ 607     | \$ 734   |
| State                                | 347                                 | 1,181      | 847      |
| Total current tax expense            | 348                                 | 1,788      | 1,581    |
| Deferred tax expense (benefit):      |                                     |            |          |
| Federal                              | (5,359)                             | (10,781)   | 2,515    |
| State                                | 2,043                               | (870)      | 759      |
| Total deferred tax expense (benefit) | (3,316)                             | (11,651)   | 3,274    |
| Excise tax                           | 1,741                               | 1,176      | 1,432    |
| Total income tax provision (benefit) | \$ (1,227)                          | \$ (8,687) | \$ 6,287 |

As of December 31, 2016, the cost of investments for U.S. federal income tax purposes was \$1,858.2 million, with such investments having a gross unrealized appreciation of \$284.1 million and gross unrealized depreciation of \$145.4 million.

The net deferred tax asset at December 31, 2016 and 2015 was \$9.1 million and \$4.0 million, respectively, primarily related to loss carryforwards, timing differences in net unrealized appreciation or depreciation and other temporary book-tax differences relating to portfolio investments held by the Taxable Subsidiaries. In addition, during the three months ended March 31, 2016, Main Street recorded a one-time \$1.8 million increase to deferred tax assets for previously unrecognized excess tax benefits associated with share-based compensation due to the early adoption of the new accounting standard ASU 2016-09 (See further discussion in Note B.8.). As of December 31, 2016, for U.S. federal income tax purposes, the Taxable Subsidiaries had a capital loss carryforward of \$5.2 million which will expire in taxable year 2020 and a capital loss carryforward of \$9.4 million which will expire in taxable year 2021. At December 31, 2016, for U.S. federal income tax purposes, the Taxable Subsidiaries had a net operating loss carryforward which will expire in various taxable years from 2029 through 2036. The timing and manner in which Main Street will utilize any loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

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

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE J DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME (Continued)

December 31, 2016 and 2015. The following table sets forth the significant components of net deferred tax assets and liabilities as of December 31, 2016 and 2015 (amounts in thousands):

|  | Years Ended<br>December 31, |           |
|--|-----------------------------|-----------|
|  | 2016                        | 2015      |
| <b>Deferred tax assets:</b>                          |                             |           |
| Net operating loss carryforwards                     | \$ 38,880                   | \$ 23,508 |
| Capital loss carryforwards                           | 5,175                       | 2,831     |
| Total deferred tax assets                            | 44,055                      | 26,339    |
| <b>Deferred tax liabilities:</b>                     |                             |           |
| Net unrealized appreciation of portfolio investments | (21,807)                    | (19,482)  |
| Net basis differences in portfolio investments       | (13,112)                    | (2,446)   |
| Other  | (11)                        | (408)     |
| Total deferred tax liabilities                       | (34,930)                    | (22,336)  |
| Total deferred tax asset, net                        | \$ 9,125                    | \$ 4,003  |

## NOTE K COMMON STOCK

During November 2015, Main Street commenced a program with certain selling agents through which it can sell shares of its common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the year ended December 31, 2016, Main Street sold 3,324,646 shares of its common stock at a weighted-average price of \$34.17 per share and raised \$113.6 million of gross proceeds under the ATM Program. Net proceeds were \$112.0 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2016, sales transactions representing 42,413 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet, but are included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate net asset value per share. As of December 31, 2016, 1,534,786 shares were available for sale under the ATM Program.

During November and December 2015, Main Street sold 140,568 shares of its 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 selling agents on shares sold and offering costs.

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.

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**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, 2016, \$14.1 million of the total \$141.6 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 434,631 newly issued shares. 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. 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 (the "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

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE M SHARE-BASED COMPENSATION (Continued)**

Equity and Incentive Plan, net of shares forfeited, if any, and the remaining shares of restricted stock available for issuance as of December 31, 2016.

|   |              |
|---|--------------|
| Restricted stock authorized under the plan                      | 3,000,000    |
| Less net restricted stock granted during:                       |              |
| Year ended December 31, 2015                                    | (900)        |
| Year ended December 31, 2016                                    | (260,514)(1) |
| Restricted stock available for issuance as of December 31, 2016 | 2,738,586    |

(1) Shares indicated are net of forfeited shares

As of December 31, 2016, the following table summarizes the restricted stock issued to Main Street's non-employee directors and the remaining shares of restricted stock available for issuance pursuant to the Main 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) |
| Year ended December 31, 2016                                    | (6,748) |
| Restricted stock available for issuance as of December 31, 2016 | 286,446 |

For the years ended December 31, 2016, 2015 and 2014, Main Street recognized total share-based compensation expense of \$8.3 million, \$6.3 million and \$4.2 million, respectively, related to the restricted stock issued to Main Street employees and independent directors. As of December 31, 2016, there was \$12.1 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 1.7 years as of December 31, 2016.

**NOTE N COMMITMENTS AND CONTINGENCIES**

|  | Amount    |
|--|-----------|
| <i>Investments with equity capital commitments that have not yet funded:</i> |           |
| <i>Congruent Credit Opportunities Funds</i>                                  |           |
| Congruent Credit Opportunities Fund II, LP                                   | \$ 8,488  |
| Congruent Credit Opportunities Fund III, LP                                  | 14,246    |
|  | \$ 22,734 |
| <i>Encap Energy Fund Investments</i>   |           |
| EnCap Energy Capital Fund VIII, L.P.   | \$ 540    |

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|   |       |
|---|-------|
| EnCap Energy Capital Fund VIII Co-Investors, L.P. | 27    |
| EnCap Energy Capital Fund IX, L.P.                | 785   |
| EnCap Energy Capital Fund X, L.P.                 | 6,961 |

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE N COMMITMENTS AND CONTINGENCIES (Continued)

|  | Amount    |
|--|-----------|
| EnCap Flatrock Midstream Fund II, L.P.   | 5,410     |
| EnCap Flatrock Midstream Fund III, L.P.  | 4,987     |
|  | \$ 18,710 |
| <i>Freeport Fund Investments</i>   |           |
| Freeport First Lien Loan Fund III LP   | \$ 7,737  |
| Freeport Financial SBIC Fund LP  | 1,375     |
|  | \$ 9,112  |
| <i>Brightwood Capital Fund Investments</i>   |           |
| Brightwood Capital Fund III, LP  | \$ 3,000  |
| Brightwood Capital Fund IV, LP   | 4,500     |
|  | \$ 7,500  |
| I-45 SLF LLC   | \$ 2,800  |
| EIG Fund Investments   | \$ 3,503  |
| LKCM Headwater Investments I, L.P.   | \$ 2,500  |
| <i>Dos Rios Partners</i>   |           |
| Dos Rios Partners, LP  | \$ 1,594  |
| Dos Rios Partners A, LP  | 506       |
|  | \$ 2,100  |
| Total equity commitments   | \$ 68,959 |
| <i>Investments with commitments to fund revolving loans that have not been fully drawn or term loans with additional commitments not yet funded:</i> |           |
| PT Network, LLC  | \$ 8,775  |
| Arcus Hunting LLC  | 4,336     |
| UniRush, LLC   | 4,000     |
| CDHA Management, LLC   | 3,258     |
| Barfly Ventures, LLC   | 2,756     |
| Buca C, LLC  | 2,370     |
| Strike, LLC  | 2,500     |
| Truck Bodies and Equipment International, Inc.   | 2,208     |
| Hojeij Branded Foods, LLC  | 2,028     |
| Applied Products, Inc.   | 2,000     |
| Mid-Columbia Lumber Products, LLC  | 2,000     |
| LaMi Products, LLC   | 1,765     |
| CapFusion, LLC   | 1,600     |
| Hawk Ridge Systems, LLC  | 1,600     |
| Messenger, LLC   | 1,417     |
| Gamber-Johnson Holdings, LLC   | 1,200     |
| Grace Hill, LLC  | 1,025     |
| Lamb Ventures, LLC   | 1,000     |
| NRI Clinical Research, LLC   | 800       |
| Apex Linen Service, Inc.   | 800       |

Table of Contents**MAIN STREET CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE N COMMITMENTS AND CONTINGENCIES (Continued)**

|                                | <b>Amount</b>     |
|--------------------------------|-------------------|
| Mystic Logistics Holdings, LLC | 800               |
| Pardus Oil and Gas, LLC        | 663               |
| Jackmont Hospitality, Inc.     | 593               |
| PPC/SHIFT LLC                  | 500               |
| UniTek Global Services, Inc.   | 483               |
| Jensen Jewelers of Idaho, LLC  | 350               |
| Subsea Global Solutions, LLC   | 285               |
| Permian Holdco 2, Inc.         | 111               |
| <b>Total loan commitments</b>  | <b>\$ 51,223</b>  |
| <b>Total commitments</b>       | <b>\$ 120,182</b> |

Main Street will fund its unfunded commitments from the same sources it uses to fund its investment commitments that are funded at the time they are made (which are typically through existing cash and cash equivalents, borrowings under the Credit Facility, the liquidation of Marketable securities and idle funds investments, and a combination of future debt and equity capital). Main Street follows a process to manage its liquidity and ensure that it has available capital to fund its unfunded commitments as necessary. The Company had total unrealized depreciation of \$0.1 million on the outstanding unfunded commitments as of December 31, 2016.

Main Street is obligated under an operating lease for office space. Total rent expense incurred by Main Street for the years ended December 2016, 2015 and 2014 was \$0.6 million, \$0.5 million and \$0.4 million, respectively.

The following table shows future minimum payments under Main Street's operating lease as of December 31, 2016:

| <b>For the Years Ended December 31,</b> | <b>Amount</b> |
|---|---------------|
| 2017                                    | 185           |
| 2018                                    | 683           |
| 2019                                    | 749           |
| 2020                                    | 763           |
| 2021                                    | 777           |
| Thereafter                              | 4,959         |
| <b>Total</b>                            | <b>8,116</b>  |

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.

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## MAIN STREET CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE O SELECTED QUARTERLY DATA (UNAUDITED)

|  | 2016<br>(dollars in thousands,<br>except per share amounts) |           |           |           |
|--|---|-----------|-----------|-----------|
|  | Qtr. 1  | Qtr. 2    | Qtr. 3    | Qtr. 4    |
| Total investment income  | \$ 42,006   | \$ 42,902 | \$ 46,599 | \$ 46,830 |
| Net investment income  | \$ 27,164   | \$ 27,648 | \$ 30,557 | \$ 30,432 |
| Net increase in net assets resulting from operations                             | \$ 16,812   | \$ 30,911 | \$ 43,181 | \$ 47,993 |
| Net investment income per share-basic and diluted                                | \$ 0.54   | \$ 0.54   | \$ 0.58   | \$ 0.57   |
| Net increase in net assets resulting from operations per share-basic and diluted | \$ 0.33   | \$ 0.60   | \$ 0.82   | \$ 0.90   |

|  | 2015<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   |

|  | 2014<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   |

## 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, 2016, Main Street had a receivable of approximately \$2.4 million due from the External Investment Manager which included approximately \$1.6 million related primarily to operating expenses incurred by MSCC or its subsidiaries 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 November 2015, Main Street's 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 Deferred

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**MAIN STREET CAPITAL CORPORATION**

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

**NOTE P RELATED PARTY TRANSACTIONS (Continued)**

Compensation Plan for Non-Employee Directors previously adopted by the Board of Directors in June 2013 (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 and directors' fees, 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. As of December 31, 2016, \$2.0 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,866 shares of Main Street's common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of December 31, 2016 represented 64,839 shares of Main Street's common stock. Any amounts deferred under the plan represented by phantom Main Street stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but are included in operating expenses and weighted-average shares outstanding in Main Street's consolidated statement of operations as earned.

**NOTE Q SUBSEQUENT EVENTS**

In January 2017, Main Street led a new portfolio investment to facilitate the majority recapitalization of NuStep, Inc. ("NuStep"), the leading manufacturer of recumbent cross-trainers focused primarily on the physical therapy, physical rehabilitation and active aging markets. Main Street, along with HMS Income, partnered with the NuStep's management team to facilitate the recapitalization of NuStep, with Main Street funding \$30.8 million in a combination of first-lien, senior secured term debt and direct equity investment. Headquartered in Ann Arbor, Michigan, NuStep serves customers across a variety of end markets, including physical therapy and rehabilitation clinics, skilled nursing facilities, fitness centers, hospitals, retirement communities and individual consumers. NuStep manufactures all of its products at its manufacturing facilities in Ann Arbor and sells its products throughout the United States and across a wide variety of international markets.

In February 2017, Main Street led a new portfolio investment to facilitate the management-led buyout of Charps Welding & Fabricating, Inc. ("Charps"), a premier specialty contractor focused on the maintenance, repair, fabrication and construction of oil and gas pipelines. Main Street, along with HMS Income, partnered with the Charps' management team to facilitate the buyout, with Main Street funding \$18.8 million in a combination of first-lien, senior secured term debt and a direct equity investment. Headquartered in Clearbrook, Minnesota, and founded in 1999, Charps provides various pipeline services to customers focused on energy transmission and distribution. Charps primarily performs work in the Midwest, Ohio Valley and Eastern U.S., and its pipeline services include pipeline integrity services, emergency response, hydrostatic testing, existing line replacement, pipeline fabrication and new construction and installation.

During February 2017, Main Street declared regular monthly dividends of \$0.185 per share for each of April, May and June 2017. These regular monthly dividends equal a total of \$0.555 per share for the second quarter of 2017. The second quarter 2017 regular monthly dividends represent a 2.8% increase from the dividends declared for the second quarter of 2016. Including the dividends declared for the second quarter of 2017, Main Street will have paid \$19.715 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 24, 2017, 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 24, 2017

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## MAIN STREET CAPITAL CORPORATION

**Consolidated Schedule of Investments in and Advances to Affiliates**  
**December 31, 2016**  
(dollars in thousands)

| Company                                  | Investment(1)                   | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2015 Fair Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2016 Fair Value |
|--|---------------------------------|---|------------------------------|--------------------|---------------------|------------------------------|
| <b>Control Investments</b>               |                                 |   |                              |                    |                     |                              |
| <u>Majority-owned investments</u>        |                                 |   |                              |                    |                     |                              |
| <b>Café Brazil, LLC</b>                  | Member Units                    | \$ 429  | \$ 7,330                     | \$                 | \$ 1,290            | \$ 6,040                     |
| <b>Clad-Rex Steel, LLC</b>               | LIBOR Plus 9.50%                | 5   |                              | 396                |                     | 396                          |
|  | LIBOR Plus 9.50%                | 192   |                              | 13,941             |                     | 13,941                       |
|  | Member Units                    |   |                              | 7,280              |                     | 7,280                        |
|  | 10% Secured Debt                | 4   |                              | 1,190              |                     | 1,190                        |
|  | Member Units                    |   |                              | 210                |                     | 210                          |
| <b>CMS Minerals Investments</b>          | Member Units                    | 178   |                              | 4,083              | 702                 | 3,381                        |
|  | Preferred Member Units          | 1,239   | 6,914                        |                    | 3,232               | 3,682                        |
| <b>Gamber-Johnson Holdings, LLC</b>      | LIBOR Plus 11.00% (Floor 1.00%) | 1,551   |                              | 23,846             |                     | 23,846                       |
|  | Member Units                    | 404   |                              | 18,920             |                     | 18,920                       |
| <b>GRT Rubber Technologies LLC</b>       | LIBOR Plus 9.00% (Floor 1.00%)  | 1,465   | 15,988                       | 134                | 2,848               | 13,274                       |
|  | Member Units                    | 949   | 15,580                       | 4,730              |                     | 20,310                       |
| <b>Hydratec, Inc.</b>                    | Common Stock                    | 1,631   | 14,950                       | 690                |                     | 15,640                       |
| <b>IDX Broker, LLC</b>                   | 12.5% Secured Debt              | 1,460   | 11,350                       | 23                 | 423                 | 10,950                       |
|  | Member Units                    | 136   | 6,440                        | 600                |                     | 7,040                        |
| <b>Jensen Jewelers of Idaho, LLC</b>     | Prime Plus 6.75% (Floor 2.00%)  | 475   | 4,055                        | 500                | 500                 | 4,055                        |
|  | Member Units                    | 209   | 4,750                        |                    | 290                 | 4,460                        |
| <b>Lamb Ventures, LLC</b>                | LIBOR Plus 5.75%                | 7   |                              | 351                | 351                 |                              |
|  | 11% Secured Debt                | 869   | 7,962                        |                    | 305                 | 7,657                        |
|  | Preferred Equity                |   | 328                          | 72                 |                     | 400                          |
|  | Member Units                    | 90  | 4,690                        | 1,300              |                     | 5,990                        |
|  | 9.5% Secured Debt               | 86  | 919                          | 300                | 49                  | 1,170                        |
|  | Member Units                    | 362   | 1,240                        | 100                |                     | 1,340                        |
| <b>Lighting Unlimited, LLC</b>           | 8% Secured Debt                 | 123   | 1,514                        |                    |                     | 1,514                        |
|  | Preferred Equity                |   | 430                          |                    | 20                  | 410                          |
|  | Warrants                        |   | 40                           |                    | 40                  |                              |
|  | Member Units                    | (81)  | 350                          |                    | 350                 |                              |
| <b>Mid-Columbia Lumber Products, LLC</b> | 10% Secured Debt                | 178   | 1,750                        |                    |                     | 1,750                        |
|  | 12% Secured Debt                | 476   | 3,900                        |                    |                     | 3,900                        |
|  | Member Units                    | 5   | 2,580                        | 566                | 666                 | 2,480                        |
|  | 9.5% Secured Debt               | 83  | 881                          |                    | 45                  | 836                          |

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|                                       |                                   |       |        |        |       |        |
|---------------------------------------|-----------------------------------|-------|--------|--------|-------|--------|
|                                       | Member Units                      | 23    | 550    | 50     |       | 600    |
| <b>MSC Adviser I, LLC</b>             | Member Units                      | 2,829 | 27,272 | 3,345  |       | 30,617 |
| <b>Mystic Logistics Holdings, LLC</b> | 12% Secured Debt                  | 1,184 | 9,448  | 42     | 314   | 9,176  |
|                                       | Common Stock                      |       | 5,970  |        | 190   | 5,780  |
| <b>NRP Jones, LLC</b>                 | 6% Current / 6% PIK Secured Debt  | 1,921 | 12,948 | 967    |       | 13,915 |
|                                       | Warrants                          |       | 450    |        | 320   | 130    |
|                                       | Member Units                      |       | 1,480  |        | 1,070 | 410    |
| <b>PPL RVs, Inc.</b>                  | 11.1% Secured Debt                | 913   | 9,710  |        | 9,710 |        |
|                                       | LIBOR Plus 7.00% (Floor 0.50%)    | 234   |        | 17,826 |       | 17,826 |
|                                       | Common Stock                      | 261   | 9,770  | 2,010  |       | 11,780 |
| <b>Principle Environmental, LLC</b>   | 12% Secured Debt                  | 516   | 4,060  | 21     | 21    | 4,060  |
|                                       | 12% Current / 2% PIK Secured Debt | 473   | 3,310  | 69     | 1     | 3,378  |
|                                       | Preferred Member Units            |       | 6,060  |        | 690   | 5,370  |
|                                       | Warrants                          |       | 310    |        | 40    | 270    |
| <b>Quality Lease Service, LLC</b>     | 8% PIK Secured Debt               | 530   | 6,538  | 530    |       | 7,068  |
|                                       | Member Units                      |       | 2,638  | 550    |       | 3,188  |

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| Company                                    | Investment(1)                          | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2015 Fair Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2016 Fair Value |
|--|--|---|------------------------------|--------------------|---------------------|------------------------------|
| Southern RV, LLC                           | 13% Secured Debt                       | 157   | 11,400                       | 104                | 11,504              |                              |
|  | Member Units                           | 957   | 15,100                       |                    | 15,100              |                              |
|  | 13% Secured Debt                       | 45  | 3,250                        | 30                 | 3,280               |                              |
|  | Member Units                           |   | 1,200                        |                    | 1,200               |                              |
| The MPI Group, LLC                         | 9% Secured Debt                        | 269   | 2,921                        | 1                  |                     | 2,922                        |
|  | Series A Preferred Units               |   | 690                          |                    | 690                 |                              |
|  | Warrants<br>Member Units               | 129   | 2,230                        | 70                 |                     | 2,300                        |
| Travis Acquisition LLC                     | 12% Secured Debt                       | 340   | 3,513                        | 43                 | 3,556               |                              |
|  | Member Units                           | 2,812   | 14,480                       |                    | 14,480              |                              |
| Uvalco Supply, LLC                         | 9% Secured Debt                        | 97  | 1,314                        |                    | 442                 | 872                          |
|  | Member Units                           | 120   | 5,460                        |                    | 820                 | 4,640                        |
| Vision Interests, Inc.                     | 13% Secured Debt                       | 412   | 3,052                        | 19                 | 257                 | 2,814                        |
|  | Series A Preferred Stock               |   | 3,550                        |                    | 550                 | 3,000                        |
|  | Common Stock                           |   | 210                          |                    | 210                 |                              |
| Ziegler's NYPD, LLC                        | 6.5% Secured Debt                      | 68  | 992                          | 2                  |                     | 994                          |
|  | 12% Secured Debt                       | 46  | 500                          |                    | 200                 | 300                          |
|  | 14% Secured Debt                       | 391   | 2,750                        |                    |                     | 2,750                        |
|  | Warrants                               |   | 50                           | 190                |                     | 240                          |
|  | Preferred Member Units                 |   | 3,400                        | 700                |                     | 4,100                        |
| <b><i>Other controlled investments</i></b> |  |   |                              |                    |                     |                              |
| Access Media Holdings, LLC                 | 5.00% Current / 5.00% PIK Secured Debt | 2,270   | 20,380                       | 1,110              | 1,790               | 19,700                       |
|  | Preferred Member Units                 |   | 2,000                        | 2,081              | 3,841               | 240                          |
|  | Member Units                           |   |                              |                    |                     |                              |
| Ameritech College Operations, LLC          | 10% Secured Debt                       | 52  | 514                          |                    |                     | 514                          |
|  | 13% Secured Debt                       | 315   | 3,025                        |                    |                     | 3,025                        |
|  | 13% Secured Debt                       | 51  | 489                          |                    |                     | 489                          |
|  | Preferred Member Units                 | (5)   | 2,291                        |                    |                     | 2,291                        |
| ASC Interests, LLC                         | 11% Secured Debt                       | 271   | 2,500                        | 14                 | 414                 | 2,100                        |
|  | Member Units                           | 95  | 2,230                        | 450                |                     | 2,680                        |
| Bond-Coat, Inc.                            | 12% Secured Debt                       | 1,450   | 11,596                       | 35                 | 35                  | 11,596                       |
|  | Common Stock                           |   | 9,140                        |                    | 2,480               | 6,660                        |
| CBT Nuggets, LLC                           | Member Units                           | 7,425   | 42,120                       | 13,360             |                     | 55,480                       |
| Datacom, LLC                               | 8% Secured Debt                        | 53  |                              | 900                |                     | 900                          |
|  | 5.25% Current / 5.25% PIK Secured Debt | 1,193   | 10,970                       | 529                | 450                 | 11,049                       |
|  | Class A Preferred Member Units         |   | 1,181                        | 187                |                     | 1,368                        |
|  | Class B Preferred Member Units         |   | 5,079                        |                    | 3,550               | 1,529                        |
| Garreco, LLC                               | 14% Secured Debt                       | 838   | 5,739                        | 30                 | 550                 | 5,219                        |
|  | Member Units                           |   | 1,270                        |                    | 120                 | 1,150                        |



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|   |                                |       |        |       |       |        |
|---|--------------------------------|-------|--------|-------|-------|--------|
| <b>Gulf Manufacturing, LLC</b>                      | 9% PIK Secured Debt            | 71    | 777    |       |       | 777    |
|   | Member Units                   | 51    | 13,770 |       | 5,000 | 8,770  |
| <b>Gulf Publishing Holdings, LLC</b>                | 12.5% Secured Debt             | 969   |        | 9,911 |       | 9,911  |
|   | Member Units                   | 62    |        | 3,124 |       | 3,124  |
| <b>Harrison Hydra-Gen, Ltd.</b>                     | 9% Secured Debt                | 9     | 5,010  |       | 5,010 |        |
|   | Preferred Stock                | 2     | 1,361  | 2     | 1,363 |        |
|   | Common Stock                   | 69    | 2,600  | 520   |       | 3,120  |
| <b>Hawthorne Customs and Dispatch Services, LLC</b> | Member Units                   |       | 460    |       | 180   | 280    |
|   | Member Units                   | 188   | 2,220  |       | 180   | 2,040  |
| <b>HW Temps LLC</b>                                 | LIBOR Plus 13% (Floor 1.00%)   | 1,172 | 9,884  | 816   | 200   | 10,500 |
|   | Preferred Member Units         | 389   | 3,942  |       | 2     | 3,940  |
| <b>Indianapolis Aviation Partners, LLC</b>          | 15% Secured Debt               | 636   | 3,100  | 5     | 5     | 3,100  |
|   | Warrants                       |       | 2,540  | 109   |       | 2,649  |
| <b>Marine Shelters Holdings, LLC</b>                | 12% PIK Secured Debt           | 895   | 8,870  | 947   | 430   | 9,387  |
|   | Preferred Member Units         |       | 4,881  |       | 4,881 |        |
| <b>MH Corbin Holding LLC</b>                        | 10% Secured Debt               | 1,409 | 13,869 | 28    | 700   | 13,197 |
|   | Preferred Member Units         | 140   | 6,000  |       |       | 6,000  |
| <b>NAPCO Precast, LLC</b>                           | Prime Plus 2.00% (Floor 7.00%) | 283   | 4,005  |       | 1,292 | 2,713  |
|   | 18% Secured Debt               | 794   | 4,924  |       | 972   | 3,952  |
|   | Member Units                   | 687   | 8,590  | 2,330 |       | 10,920 |

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| Company   | Investment(1)                  | Amount of Interest, Fees or Dividends Credited to Income(2) | December 31, 2015 Fair Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2016 Fair Value |
|---|--------------------------------|---|------------------------------|--------------------|---------------------|------------------------------|
| <b>NRI Clinical Research, LLC</b>   | LIBOR Plus 6.50% (Floor 1.50%) | 8   |                              | 200                |                     | 200                          |
|   | 14% Secured Debt               | 683   | 4,539                        | 78                 | 356                 | 4,261                        |
|   | Warrants                       |   | 340                          | 340                |                     | 680                          |
|   | Member Units                   |   | 1,342                        | 1,120              |                     | 2,462                        |
| <b>OMi Holdings, Inc.</b>   | Common Stock                   | 480   | 13,640                       |                    | 560                 | 13,080                       |
| <b>Pegasus Research Group, LLC</b>  | Member Units                   | 243   | 6,840                        | 1,780              |                     | 8,620                        |
| <b>River Aggregates, LLC</b>  | Zero Coupon Secured Debt       | 71  | 556                          | 71                 |                     | 627                          |
|   | Member Units                   | 460   | 3,830                        | 770                |                     | 4,600                        |
|   | Member Units                   |   | 2,360                        | 150                |                     | 2,510                        |
| <b>SoftTouch Medical Holdings LLC</b>   | LIBOR Plus 9.00% (Floor 1.00%) | 793   | 8,010                        | 65                 | 935                 | 7,140                        |
|   | Member Units                   | 397   | 5,710                        | 3,460              |                     | 9,170                        |
| <b>Other</b>  |                                |   |                              |                    |                     |                              |
| Amounts related to investments transferred to or from other 1940 Act classification during the period |                                |   |                              |                    |                     |                              |
|   |                                | \$ 52,221   | \$ 555,011                   | \$ 150,323         | \$ 111,052          | \$ 594,282                   |

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| Company                                      | Investment(1)                          | Amount of Interest, Fee or Dividends Credited to Income(2) | December 31, 2015 Fair Value | Gross Additions(3) | Gross Reductions(4) | December 31, 2016 Fair Value |
|--|--|--|------------------------------|--------------------|---------------------|------------------------------|
| <b>Affiliate Investments</b>                 |  |  |                              |                    |                     |                              |
| <b>AFG Capital Group, LLC</b>                | 11% Secured Debt                       | \$ 1,313   | \$ 12,790                    | \$ 349             | \$ 13,139           | \$                           |
|  | Warrants                               |  | 490                          | 180                |                     | 670                          |
|  | Member Units                           | 40   | 2,020                        | 730                |                     | 2,750                        |
| <b>Barfly Ventures, LLC</b>                  | 12% Secured Debt                       | 1,053  | 4,042                        | 1,818              | 33                  | 5,827                        |
|  | Options                                |  |                              | 490                |                     | 490                          |
|  | Warrants                               |  | 473                          |                    | 193                 | 280                          |
| <b>BBB Tank Services, LLC</b>                | LIBOR Plus 9.50% (Floor 1.00%)         | 22   |                              | 797                |                     | 797                          |
|  | 15% Secured Debt                       | 439  |                              | 3,991              |                     | 3,991                        |
|  | Member Units                           |  |                              | 800                |                     | 800                          |
| <b>Boss Industries, LLC</b>                  | Preferred Member Units                 | 264  | 2,586                        | 214                |                     | 2,800                        |
| <b>Bridge Capital Solutions Corporation</b>  | 13% Secured Debt                       | 1,293  | 6,890                        | 5,720              | 7,000               | 5,610                        |
|  | Warrants                               |  | 1,300                        | 2,070              |                     | 3,370                        |
|  | 13% Secured Debt                       | 73   |                              | 1,000              |                     | 1,000                        |
|  | Preferred Member Units                 | 44   |                              | 1,000              |                     | 1,000                        |
| <b>Buca C, LLC</b>                           | LIBOR Plus 7.25% (Floor 1.00%)         | 2,087  | 25,299                       | 531                | 3,159               | 22,671                       |
|  | Preferred Member Units                 | 226  | 3,711                        | 949                |                     | 4,660                        |
| <b>CAI Software LLC</b>                      | 12% Secured Debt                       | 507  | 4,661                        | 14                 | 992                 | 3,683                        |
|  | Member Units                           | 102  | 1,000                        | 1,480              |                     | 2,480                        |
| <b>CapFusion, LLC</b>                        | 13% Secured Debt                       | 1,547  |                              | 13,202             |                     | 13,202                       |
|  | Warrants                               |  |                              | 1,200              |                     | 1,200                        |
| <b>Chandler Signs Holdings, LLC</b>          | 12% Secured Debt                       | 595  |                              | 4,500              |                     | 4,500                        |
|  | Class A Units                          | 149  |                              | 3,240              |                     | 3,240                        |
| <b>Condit Exhibits, LLC</b>                  | Member Units                           | 175  | 1,010                        | 830                |                     | 1,840                        |
| <b>Congruent Credit Opportunities Funds</b>  | LP Interests (Fund II)                 | 400  | 2,834                        |                    | 1,316               | 1,518                        |
|  | LP Interests (Fund III)                | 1,115  | 12,024                       | 4,157              |                     | 16,181                       |
| <b>Daseke, Inc.</b>                          | 12% Current / 2.5% PIK Secured Debt    | 3,252  | 21,253                       | 629                | 83                  | 21,799                       |
|  | Common Stock                           |  | 22,660                       | 1,403              |                     | 24,063                       |
| <b>Dos Rios Partners</b>                     | LP Interests (Dos Rios Partners, LP)   |  | 2,031                        | 2,894              |                     | 4,925                        |
|  | LP Interests (Dos Rios Partners A, LP) |  | 648                          | 918                | 122                 | 1,444                        |
| <b>Dos Rios Stone Products LLC</b>           | Class A Units                          | 57   |                              | 2,070              |                     | 2,070                        |
| <b>East Teak Fine Hardwoods, Inc.</b>        | Common Stock                           | 41   | 860                          |                    |                     | 860                          |
| <b>East West Copolymer &amp; Rubber, LLC</b> | 12% Current / 2% PIK Secured Debt      | 1,302  | 9,463                        | 127                | 960                 | 8,630                        |
|  | Warrants                               |  | 50                           |                    | 50                  |                              |

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|  |   |       |        |       |       |        |
|--|---|-------|--------|-------|-------|--------|
| <b>EIG Fund Investments</b>                    | LP Interests  | 243   | 718    | 2,086 |       | 2,804  |
| <b>EIG Traverse Co-Investment, L.P.</b>        | LP Interests  | 1,175 | 4,755  | 5,150 |       | 9,905  |
| <b>Freeport Financial Fund Investments</b>     | LP Interests (Freeport Financial SBIC Fund LP)      | 398   | 6,045  |       | 425   | 5,620  |
|  | LP Interests (Freeport First Lien Loan Fund III LP) | 478   | 2,077  | 2,686 |       | 4,763  |
| <b>Gault Financial, LLC (RMB Capital, LLC)</b> | 10% Secured Debt Warrants                           | 1,532 | 10,930 | 149   |       | 11,079 |
| <b>Glowpoint, Inc.</b>                         | 8% Secured Debt                                     | 21    | 397    | 1     | 398   |        |
|  | 12% Secured Debt                                    | 1,125 | 8,929  | 22    | 4,954 | 3,997  |
|  | Common Stock  |       | 3,840  |       | 1,760 | 2,080  |
| <b>Guerdon Modular Holdings, Inc.</b>          | 9% Current / 4% PIK Secured Debt                    | 1,463 | 10,280 | 1,274 | 960   | 10,594 |
|  | Preferred Stock                                     |       |        | 1,140 |       | 1,140  |
|  | Common Stock  |       | 1,990  |       | 1,910 | 80     |
| <b>Hawk Ridge Systems, LLC</b>                 | 10% Secured Debt                                    | 184   |        | 9,901 |       | 9,901  |
|  | Preferred Member Units                              | 28    |        | 2,850 |       | 2,850  |
|  | Preferred Member Units                              |       |        | 150   |       | 150    |
| <b>Houston Plating and Coatings, LLC</b>       | Member Units  | (22)  | 8,440  | 433   | 4,873 | 4,000  |
| <b>I-45 SLF LLC</b>                            | Member Units  | 1,964 | 7,200  | 7,386 |       | 14,586 |
| <b>Indianhead Pipeline Services, LLC</b>       | 12% Secured Debt                                    | 1,548 | 5,853  | 126   | 900   | 5,079  |
|  | Preferred Member Units                              | 37    | 2,302  | 375   |       | 2,677  |
|  | Warrants  |       |        |       |       |        |
|  | Member Units  |       |        |       |       |        |
| <b>KBK Industries, LLC</b>                     | 10% Secured Debt                                    | 51    |        | 1,550 | 300   | 1,250  |
|  | 12.5% Secured Debt                                  | 763   | 5,900  | 14    | 25    | 5,889  |
|  | Member Units  | (8)   | 3,680  |       | 900   | 2,780  |

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| Company  | Investment(1)   | Amount of Interest, Fee or Dividends Credited to Income(2) | December 31, 2015 Fair Value   | Gross Additions(3)                 | Gross Reductions(4) | December 31, 2016 Fair Value          |
|--|---|--|--------------------------------|------------------------------------|---------------------|---------------------------------------|
| <b>L.F. Manufacturing Holdings, LLC</b>                      | Member Units  |  | 1,485                          |                                    | 105                 | 1,380                                 |
| <b>MPS Denver, LLC</b>                                       | Member Units  |  | 1,130                          | 124                                | 1,254               |                                       |
| <b>OnAsset Intelligence, Inc.</b>                            | 12% PIK Secured Debt<br>Preferred Stock<br>Warrants   | 512  | 4,006<br>1,380                 | 513                                | 1,380               | 4,519                                 |
| <b>OPI International Ltd.</b>                                | 10% Unsecured Debt<br>Common Stock  | 48   | 473<br>3,200                   |                                    | 1,600               | 473<br>1,600                          |
| <b>PCI Holding Company, Inc.</b>                             | 12% Secured Debt<br>Preferred Stock   | 1,354<br>617   | 4,887                          | 13,000<br>617                      | 134                 | 13,000<br>5,370                       |
| <b>Radial Drilling Services Inc.</b>                         | 12% Secured Debt<br>Warrants  | 20   | 1,500                          | 2,461<br>758                       | 3,961<br>758        |                                       |
| <b>Rocacea, LLC (Quality Lease and Rental Holdings, LLC)</b> | 12% Secured Debt<br>Preferred Member Units  |  | 250                            |                                    |                     | 250                                   |
| <b>Samba Holdings, Inc.</b>                                  | 12.5% Secured Debt<br>Common Stock  | 1,100  | 24,662<br>30,220               | 110                                | 24,772<br>30,220    |                                       |
| <b>Tin Roof Acquisition Company</b>                          | 12% Secured Debt<br>Class C Preferred Stock   | 1,735<br>262   | 13,807<br>2,477                | 62<br>261                          | 484                 | 13,385<br>2,738                       |
| <b>UniTek Global Services, Inc.</b>                          | LIBOR Plus 7.50% (Floor 1.00%)<br>LIBOR Plus 8.50% (Floor 1.00%)<br>15% PIK Unsecured Debt<br>Preferred Stock<br>Common Stock | 254<br>108<br>113<br>878                                   | 2,812<br>1,255<br>638<br>5,540 | 2,209<br>16<br>107<br>878<br>3,010 | 447<br>8            | 5,021<br>824<br>745<br>6,410<br>3,010 |
| <b>Universal Wellhead Services Holdings, LLC</b>             | Member Units<br>Preferred Member Units  |  | 3,000                          | 4,000<br>1,811                     | 3,390<br>4,091      | 610<br>720                            |
| <b>Valley Healthcare Group, LLC</b>                          | LIBOR Plus 12.50% (Floor 0.50%)<br>Preferred Member Units   | 1,519  | 10,297                         | 2,647<br>1,600                     | 100                 | 12,844<br>1,600                       |
| <b>Volusion, LLC</b>   | 11.5% Secured Debt<br>Preferred Member Units<br>Warrants  | 2,451  | 16,199<br>14,000<br>1,400      | 1,176                              | 901                 | 15,298<br>14,000<br>2,576             |
| <b>Other</b>   | Amounts related to investments transferred to or from other 1940 Act classification during the period                         | (345)  | (15,530)                       |                                    |                     |                                       |
|  |   | \$ 37,702  | \$ 350,519                     | \$ 127,956                         | \$ 118,057          | \$ 375,948                            |

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This schedule should be read in conjunction with Main Street's consolidated financial statements, including the consolidated schedule of investments and notes to the consolidated financial statements.

- (1) The principal amount, the ownership detail for equity investments and if the investment is income producing is included in the consolidated schedule of investments.
- (2) Represents the total amount of interest, fees and dividends credited to income for the portion of the period for which an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the period, any income or investment balances related to the time period it was in the category other than the one shown at period end is included in "Amounts from investments transferred from other 1940 Act classifications during the period."
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in net unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in net unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

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**Up to 1,000,000 Shares  
Common Stock**

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**PROSPECTUS SUPPLEMENT**

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July 18, 2017

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